



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

September 22, 2015

Ordinance 18116

Proposed No. 2015-0166.2

Sponsors McDermott

1 AN ORDINANCE providing long-term financing for
2 capital needs of the county's sewer system by authorizing
3 the issuance of sewer revenue bonds and limited tax
4 general obligation bonds (payable from sewer revenues) of
5 the county for refunding outstanding obligations of the
6 county payable from sewer revenues; providing for the
7 form, terms and covenants of such bonds; providing for the
8 sale of the bonds in one or more series and for a plan of
9 refunding; establishing funds for the receipt and
10 expenditure of bond proceeds and for the payment of the
11 bonds; pledging sewer revenues to pay the principal of and
12 interest on any sewer revenue bonds issued under this
13 ordinance; and pledging the annual levy of taxes and an
14 additional pledge of sewer revenues to pay the principal of
15 and interest on any limited tax general obligation bonds
16 (payable from sewer revenues) issued under this ordinance.

17 PREAMBLE:

18 The county owns and operates facilities for the conveyance and treatment of
19 sewage and control of combined sewer overflows that include wastewater

20 treatment plants, interceptor and trunk sewers, pumping stations, regulator
21 stations, outfall sewers, storm sewers to divert stormwater from sanitary sewers,
22 lands for application of biosolids, property rights, and buildings and other
23 structures and equipment (collectively "the System"), all in accordance with a
24 comprehensive plan for metropolitan water pollution abatement under the
25 authority of chapters 36.56 and 35.58 of the Revised Code of Washington
26 ("RCW").

27 Long term service agreements with participating municipalities and other entities
28 ("the Participants") obligate the county to treat and dispose of sewage collected by
29 the Participants. The Participants must pay the costs of these services including
30 debt service on bonds payable from sewer revenues (including the bonds
31 authorized by this ordinance) and other indebtedness payable from and secured by
32 sewer revenues. Comparable rates and charges have been established for
33 customers who deliver sewage to the System but are not subject to a contract with
34 the county for this service.

35 In accordance with RCW 35.58.200(3), the county has declared that the health,
36 safety and welfare of people within the metropolitan area require that certain
37 Participants discharge sewage collected by those Participants into facilities of the
38 System.

39 The county has issued the series of sewer revenue bonds with a senior lien on
40 Revenue of the System set forth in Attachment A to this ordinance ("the Parity
41 Bonds").

42 The county has issued the series of limited tax general obligation bonds
43 additionally secured by a lien on Revenue of the System junior and subordinate to
44 the lien thereon of the Parity Bonds set forth in Attachment B to this ordinance
45 ("the Parity Lien Obligations").

46 The county has issued its sewer revenue bonds with a lien on Revenue of the
47 System junior and subordinate to the lien thereon of the Parity Lien Obligations
48 (as further defined herein, "the Junior Lien Obligations").

49 The county has issued its limited tax general obligation bonds additionally
50 secured by a lien on Revenue of the System junior and subordinate to the lien
51 thereon of the Junior Lien Obligations (as further defined herein, "the Multi-
52 Modal LTGO/Sewer Revenue Bonds").

53 The county has issued its Commercial Paper Notes and Bank Note (each as
54 further defined herein) with a lien on Revenue of the System junior and
55 subordinate to the lien thereon of the Multi-Modal LTGO/Sewer Revenue Bonds
56 (as further defined herein, "the Subordinate Lien Obligations").

57 The county may have opportunities to refund all or portions of its currently
58 outstanding Parity Bonds, Parity Lien Obligations, Junior Lien Obligations,
59 Multi-Modal LTGO/Sewer Revenue Bonds and Subordinate Lien Obligations and
60 any Future Parity Bonds, Future Parity Lien Obligations, Future Junior Lien
61 Obligations, Future Multi-Modal LTGO/Sewer Revenue Bonds and Additional
62 Subordinate Lien Obligations, in each case to effect a saving to the county and
63 ratepayers of the Sewer System or when necessary or in the best interest of the
64 county and ratepayers of the Sewer System to modify debt service or reserve

requirements, sources of payment, covenants or other terms of the obligations to be refunded. It is deemed necessary and advisable that the county authorize the issuance and sale of its bonds payable from sewer revenues ("the Bonds") for such refunding opportunities, as provided in this ordinance.

Since market conditions can change quickly, it is in the best interest of the county to delegate to the county's Finance Director authority to sell the Bonds in one or more series, as either Parity Bonds or Parity Lien Obligations, or a combination thereof, by competitive bid or negotiated sale, as provided in this ordinance. The sale of any series of the Bonds shall be ratified and confirmed by motion of the council, as provided in this ordinance.

The ordinances authorizing the issuance of the outstanding Parity Bonds and Parity Lien Obligations all provide that the county may issue additional Parity Bonds and additional Parity Lien Obligations if certain conditions are met. By each Sale Motion the council must find that the applicable parity conditions have been or shall be met for each series of Bonds issued under this ordinance.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. Definitions; Interpretation.

A. **Definitions.** The following words and terms as used in this ordinance have the following meanings for all purposes of this ordinance, unless some other meaning is plainly intended.

"Accreted Value" means for any Parity Bonds that are Capital Appreciation Bonds, as of any date of calculation, the sum of the amounts set forth in the ordinance, resolution or motion authorizing such bonds as the amounts representing the initial

88 principal amount of such bonds plus the interest accumulated, compounded and unpaid
89 thereon as of the most recent compounding date, as provided in the ordinance, resolution
90 or motion authorizing the issuance of such bonds; provided, that if such calculation is not
91 made as of a compounding date, such amount shall be determined by straight-line
92 interpolation as of the immediately preceding and the immediately succeeding
93 compounding dates.

94 "Additional Subordinate Lien Obligations" means those revenue bonds or other
95 revenue obligations that may be issued by the county in the future with a lien on Revenue
96 of the System equal to the lien thereon of the Commercial Paper Notes and the Bank
97 Note.

98 "Agency Customer" means any city, town, water-sewer district or other political
99 subdivision, person, firm, private corporation or other entity that collects sewage from
100 customers and disposes of any portion of that sewage into the System and is not a
101 Participant.

102 "Annual Debt Service" means, for any calendar year, the sum of the following:

103 1. The interest due for all outstanding Parity Bonds and Parity Lien
104 Obligations (i) on all interest payment dates (other than January 1) in such calendar year,
105 and (ii) on January 1 of the next succeeding year, and any Payment Agreement Payments
106 due on such dates in respect of any Parity Payment Agreements and Parity Lien
107 Obligation Payment Agreements, minus any Payment Agreement Receipts due in such
108 period in respect of any Parity Payment Agreements and Parity Lien Obligation Payment
109 Agreements.

110 a. For purposes of calculating the amounts required to pay interest on
111 Parity Bonds or Parity Lien Obligations, capitalized interest and accrued interest paid to
112 the county upon the issuance of Parity Bonds or Parity Lien Obligations shall be
113 excluded.

114 b. The amount of interest deemed to be payable on any issue of
115 Variable Rate Parity Bonds or Variable Rate Parity Lien Obligations shall be calculated
116 on the assumption that the interest rate on those bonds would be equal to the rate ("the
117 assumed RBI rate") that is 90% of the average Bond Buyer Revenue Bond Index or
118 comparable index during the fiscal quarter preceding the quarter in which the calculation
119 is made; provided, that for purposes of determining actual compliance in any past
120 calendar year with the rate covenant made in Section 18 of this ordinance, the actual
121 amount of interest paid on any issue of Variable Rate Parity Bonds or Parity Lien
122 Obligations shall be taken into account.

123 2. The principal due (at maturity or upon the mandatory redemption of Term
124 Bonds prior to their maturity) for all outstanding Parity Bonds and Parity Lien
125 Obligations (i) on all principal payment dates (other than January 1) of such calendar year
126 and (ii) on January 1 of the next succeeding year.

127 In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or
128 upon the mandatory redemption of Parity Term Bonds that are Capital Appreciation
129 Bonds shall be included in the calculation of Annual Debt Service, and references in this
130 ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or
131 upon the mandatory redemption of any Capital Appreciation Bonds.

Notwithstanding the foregoing, debt service on Parity Bonds or Parity Lien Obligations with respect to which a Payment Agreement is in force shall be calculated by the county to reflect the net economic effect on the county intended to be produced by the terms of the Parity Bonds or Parity Lien Obligations and the terms of the applicable Payment Agreement, in accordance with the requirements for Payment Agreements set forth in Section 27 of this ordinance and any other applicable requirements from the ordinances authorizing issuance of such Parity Bonds or Parity Lien Obligations.

From and after the date when no Parity Lien Obligations designated as Series 2008 Bonds or Series 2009 Bonds remain outstanding, for purposes of satisfying the rate covenant in Section 18.B. of this ordinance and the tests for the issuance of additional Parity Lien Obligations in Section 25 of this ordinance, Annual Debt Service for any Fiscal Year or calendar year shall exclude any Debt Service Offsets.

"Annual Parity Debt Service" means, for any calendar year, the sum of the following:

1. The interest due for all outstanding Parity Bonds (i) on all interest payment dates (other than January 1) in such calendar year, and (ii) on January 1 of the next succeeding year, and any Payment Agreement Payments due on such dates in respect of Parity Payment Agreements, minus any Payment Agreement Receipts due in such period in respect of such Parity Payment Agreements.

- a. For purposes of calculating the amounts required to pay interest on Parity Bonds, capitalized interest and accrued interest paid to the county upon the issuance of Parity Bonds shall be excluded.

154 b. The amount of interest deemed to be payable on any issue of
155 Variable Rate Parity Bonds shall be calculated on the assumption that the interest rate on
156 those bonds would be equal to the rate ("the assumed RBI rate") that is 90% of the
157 average Bond Buyer Revenue Bond Index or comparable index during the fiscal quarter
158 preceding the quarter in which the calculation is made; provided, that for purposes of
159 determining actual compliance in any past calendar year with the rate covenant made in
160 Section 18 of this ordinance, the actual amount of interest paid on any issue of Variable
161 Rate Parity Bonds shall be taken into account.

162 2. The principal due (at maturity or upon the mandatory redemption of Term
163 Bonds prior to their maturity) for all outstanding Parity Bonds (i) on all principal
164 payment dates (other than January 1) of such calendar year and (ii) on January 1 of the
165 next succeeding year.

166 In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or upon
167 the mandatory redemption of Parity Term Bonds that are Capital Appreciation Bonds
168 shall be included in the calculation of Annual Debt Service, and references in this
169 ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or
170 upon the mandatory redemption of any Capital Appreciation Bonds.

171 Notwithstanding the foregoing, debt service on Parity Bonds with respect to
172 which a Payment Agreement is in force shall be calculated by the county to reflect the net
173 economic effect of the terms of the Parity Bonds and the applicable Payment Agreement,
174 in accordance with the requirements set forth in Section 27 of this ordinance and any
175 other applicable requirements from the ordinances authorizing issuance of such Parity
176 Bonds.

From and after such time as no Parity Bonds designated as 2006 Bonds, 2006 (2nd) Bonds, 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, for purposes of calculating the Reserve Requirement and satisfying the rate covenant in Section 18.A. of this ordinance and the tests for the issuance of Future Parity Bonds in Section 24 of this ordinance, Annual Parity Debt Service for any Fiscal Year or calendar year shall exclude any Debt Service Offsets.

"Bank Note" means the bank note authorized to be issued by Ordinance 12057 of the county, as amended, to secure payment of the Commercial Paper Notes.

"Beneficial Owner" means, with respect to a Bond, the owner of the beneficial interest in that Bond.

"Bond Register" means the registration books maintained by the Bond Registrar for purposes of identifying ownership of the Bonds.

"Bond Registrar" means the fiscal agent of the State (as the same may be designated by the State from time to time) for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting the transfer of ownership of the Bonds and paying principal of and premium, if any, and interest on the Bonds.

"Bonds" means the bonds of the county authorized to be issued under this ordinance to refund the Refunded Bonds. The Bonds may be issued in one or more series of Parity Bonds or Parity Lien Obligations, as provided in this ordinance.

"Capital Appreciation Bonds" means any Parity Bonds the interest on which is compounded, accumulated and payable only upon redemption or on the maturity date of such Parity Bonds; provided, that Parity Bonds may be deemed to be Capital

Appreciation Bonds for only a portion of their term pursuant to the ordinance, resolution or motion authorizing their issuance. On the date on which Parity Bonds no longer are Capital Appreciation Bonds, they shall be deemed outstanding in a principal amount equal to their Accreted Value.

"Certified Public Accountant" means an independent certified public accountant (or firm of certified public accountants) selected by the county and having a favorable national reputation.

"Closing" means the delivery of a series of the Bonds to, and payment of the purchase price therefor by, the initial purchasers of that series of Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Bonds.

"Commercial Paper Notes" means the King County, Washington, Sewer Revenue Bond Anticipation Notes, Commercial Paper Series A, authorized, issued, and outstanding from time to time pursuant to Ordinance 12057 of the county, as amended.

"Comprehensive Plan" means the county's comprehensive water pollution abatement plan authorized by RCW 35.58.200 and defined in Section 28.82.150 of the King County Code as the Comprehensive Sewage Disposal Plan adopted by Resolution No. 23 of the Metro Council on April 22, 1959, and all amendments thereto, together with any amendments hereafter approved by ordinance of the county.

"Construction Account" means the "Second Water Quality Construction Account," as designated by Ordinance 12076, Section 30, of the county.

223 "Council" means the Metropolitan King County Council.

224 "Credit Facility" means any letter of credit, standby bond purchase agreement,
225 line of credit, surety bond, insurance policy or other insurance commitment or similar
226 agreement (but not including a Payment Agreement), satisfactory to the county, that is
227 provided by a commercial bank, insurance company or other financial institution with a
228 current long term rating (or whose obligations thereunder are guaranteed by a financial
229 institution with a long term rating): (i) from Moody's and S&P not lower, when issued,
230 than the credit rating of any series of Parity Bonds, to provide support for a series of
231 Parity Bonds, and shall include any substitute therefor in accordance with the provisions
232 of the ordinance providing for the issuance of Parity Bonds supported by a Credit
233 Facility, or (ii) from Fitch, Moody's and S&P not lower, when issued, than the credit
234 rating of any series of Parity Lien Obligations, to provide support for a series of Parity
235 Lien Obligations (including Variable Rate Parity Lien Obligations), and shall include any
236 substitute therefor in accordance with the provisions of the ordinance providing for the
237 issuance of Parity Lien Obligations supported by a Credit Facility.

238 "Customers" means Residential Customers and Residential Customer Equivalents
239 as defined and determined in the existing Service Agreements.

240 "Debt Service Offset" means receipts of the county, including federal interest
241 subsidy payments, designated as such by the county that are not included in Revenue of
242 the System and that are legally available to pay debt service on Parity Bonds, Parity Lien
243 Obligations or other obligations of the county payable from and secured by a pledge of
244 Revenue of the System.

245 "DTC" means The Depository Trust Company, New York, New York.

"Escrow Agent" means each corporate trustee chosen pursuant to the provisions of Section 16 of this ordinance to serve as escrow agent or refunding trustee in connection with the refunding of Refunded Bonds upon the issuance of any series of Bonds.

"Finance Director" means the director of the finance and business operations division of the department of executive services of the county or any other county officer who succeeds to the duties now delegated to that office, or the designee of such officer.

"Fitch" means Fitch Ratings, and its successors and assigns, except that if that entity is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the county.

"Future Junior Lien Obligations" means any sewer revenue bonds, warrants or other obligations that may be issued in the future with a lien on Revenue of the System equal to the lien thereon of the currently outstanding Junior Lien Obligations.

"Future Multi-Modal LTGO/Sewer Revenue Bonds" means any limited tax general obligation bonds that may be issued in the future that are additionally secured by a lien on Revenue of the System on a parity with the lien thereon of the currently outstanding Multi-Modal LTGO/Sewer Revenue Bonds.

"Future Parity Bonds" means any sewer revenue bonds, warrants or other obligations that may be issued in the future with a lien on Revenue of the System equal to the lien thereon of the currently outstanding Parity Bonds.

"Future Parity Lien Obligations" means any limited tax general obligation bonds that may be issued in the future that are additionally secured by a lien on Revenue of the

269 System on a parity with the lien thereon of the currently outstanding Parity Lien
270 Obligations.

271 "Government Obligations" means "government obligations" as defined in chapter
272 39.53 RCW, as now in existence or hereafter amended.

273 "Junior Lien Obligations" means the county's (i) Junior Lien Variable Rate
274 Demand Sewer Revenue Bonds, Series 2001A and Series 2001B, dated August 15, 2001,
275 authorized by Ordinances 14171 and 14172, (ii) Junior Lien Variable Rate Demand
276 Sewer Revenue Bond, Series 2011, dated October 26, 2011, authorized by Ordinance
277 17202, (iii) Junior Lien Variable Rate Demand Sewer Revenue Bond, Series 2012, dated
278 December 27, 2012, authorized by Ordinance 17495, and (iv) any Future Junior Lien
279 Obligations.

280 "Letter of Representations" means the Blanket Issuer Letter of Representations
281 dated May 1, 1995, by and between the county and DTC, as it may be amended from
282 time to time, and any successor or substitute letter relating to the operational procedures
283 of the Securities Depository.

284 "Moody's" means Moody's Investors Service, Inc., a corporation duly organized
285 and existing under and by virtue of the laws of the State of Delaware, and its successors
286 and assigns, except that if that corporation is dissolved or liquidated or no longer
287 performs the functions of a securities rating agency, then the term "Moody's" will be
288 deemed to refer to any other nationally recognized securities rating agency selected by
289 the county.

290 "MSRB" means the Municipal Securities Rulemaking Board or any successor to
291 its functions.

292 "Multi-Modal LTGO/Sewer Revenue Bonds" means the county's Multi-Modal
293 Limited Tax General Obligation Bonds (Payable from Sewer Revenue), Series 2010A
294 and Series 2010B, and any Future Multi-Modal LTGO/Sewer Revenue Bonds.

295 "Net Revenue" means Revenue of the System less Operating and Maintenance
296 Expenses.

297 "Operating and Maintenance Expenses" means all normal expenses incurred by
298 the county in causing the System to be maintained in good repair, working order and
299 condition and includes payments to any private or governmental agency for the operation
300 or maintenance of facilities or for the disposal of sewage but excludes any allowance for
301 depreciation.

302 "Owner" means, with respect to a Bond, without distinction, the Beneficial Owner
303 or the Registered Owner.

304 "Parity Bond Fund" means the "Water Quality Revenue Bond Account"
305 designated pursuant to Ordinance 12076, Section 30, of the county and continued
306 pursuant to Section 9 of this ordinance for the purpose of paying and securing the
307 payment of the Parity Bonds.

308 "Parity Bond Reserve Account" means the bond reserve account in the Parity
309 Bond Fund securing the payment of the Parity Bonds.

310 "Parity Bonds" means the bonds identified as such in the Preamble to this
311 ordinance, together with (i) any Bonds issued under this ordinance with a lien on
312 Revenue of the System equal to the lien thereon of those bonds and (ii) any Future Parity
313 Bonds. "Parity Bonds" include any Parity Payment Agreements and parity

314 reimbursement agreements entered into with the provider of a Credit Facility securing
315 any Parity Bonds.

316 "Parity Lien Obligation Bond Fund" means the Water Quality Limited Tax
317 General Obligation Bond Redemption Fund, established pursuant to Ordinance 11241,
318 Section 8, of the county and continued pursuant to Section 10 of this ordinance, to
319 provide for payment of Parity Lien Obligations.

320 "Parity Lien Obligation Payment Agreement" means a Payment Agreement under
321 which the county's payment obligations are expressly stated to constitute a charge and
322 lien on Revenue of the System equal in rank with the charge and lien on Revenue of the
323 System securing amounts required to be paid into the Parity Lien Obligation Bond Fund
324 to pay and secure the payment of principal of and interest on the Parity Lien Obligations.

325 "Parity Lien Obligation Term Bonds" means Parity Lien Obligations that are
326 Term Bonds.

327 "Parity Lien Obligations" means bonds identified as such in the Preamble to this
328 ordinance, together with (i) any Bonds issued under this ordinance with a lien on
329 Revenue of the System equal to the lien thereon of those bonds and (ii) any Future Parity
330 Lien Obligations. "Parity Lien Obligations" include any Parity Lien Obligation Payment
331 Agreements and parity reimbursement agreements entered into with the provider of a
332 Credit Facility securing any Parity Lien Obligations.

333 "Parity Payment Agreement" means a Payment Agreement under which the
334 county's payment obligations are expressly stated to constitute a charge and lien on
335 Revenue of the System equal in rank with the charge and lien on Revenue of the System

336 securing amounts required to be paid into the Parity Bond Fund to pay and secure the
337 payment of principal of and interest on the Parity Bonds.

338 "Parity Term Bonds" means Parity Bonds that are Term Bonds.

339 "Participant" means each city, town, county, water-sewer district, municipal
340 corporation, person, firm, private corporation or other entity that disposes of any portion
341 of its sanitary sewage into the System and has entered into a Service Agreement with the
342 county.

343 "Payment Agreement" means, to the extent permitted from time to time by
344 applicable law, a written agreement entered into by the county (i) in connection with or
345 incidental to the issuance, incurring or carrying of bonds or other obligations of the
346 county secured in whole or in part by a lien on Revenue of the System; (ii) for the
347 purpose of managing or reducing the county's exposure to fluctuations or levels of
348 interest rates, currencies or commodities or for other interest rate, investment, asset or
349 liability management purposes; (iii) with a Qualified Counterparty; and (iv) which
350 provides, on either a current or forward basis, for an exchange of payments determined in
351 accordance with a formula specified therein.

352 "Payment Agreement Payments" means the amounts periodically required to be
353 paid by the county to the Qualified Counterparty pursuant to a Payment Agreement. The
354 term "Payment Agreement Payments" does not include any termination payment required
355 to be paid with respect to a Payment Agreement.

356 "Payment Agreement Receipts" means the amounts periodically required to be
357 paid by the Qualified Counterparty to the county pursuant to a Payment Agreement.

358 "Professional Utility Consultant" means a licensed professional engineer, a
359 Certified Public Accountant, or other independent person or firm selected by the county
360 having a favorable reputation for skill and experience with sewer systems of comparable
361 size and character to the System in such areas as are relevant to the purposes for which
362 they are retained.

363 "Public Works Trust Fund Loans" means loans to the county by the State
364 Department of Commerce under the Public Works Trust Fund loan program pursuant to
365 loan agreements in effect as of the date of this ordinance and any loan agreements
366 hereafter entered into by the county under the Public Works Trust Fund loan program, the
367 repayment obligations of which are secured by a lien on Revenue of the System equal to
368 the lien thereon established by such loan agreements.

369 "Qualified Counterparty" means with respect to a Payment Agreement an entity
370 (i) whose senior long term debt obligations, other senior unsecured long term obligations
371 or claims paying ability or whose payment obligations under a Payment Agreement are
372 guaranteed by an entity whose senior long term debt obligations, other senior unsecured
373 long term obligations or claims paying ability are rated (at the time the Payment
374 Agreement is entered into) at least as high as A3 by Moody's and A- by S&P (and A- by
375 Fitch for any Parity Lien Obligation Payment Agreement), or the equivalent thereof by
376 any successor thereto, and (ii) who is otherwise qualified to act as the other party to a
377 Payment Agreement under any applicable laws of the State.

378 "Qualified Insurance" means (i) so long as any Parity Bonds designated as 2006
379 Bonds, 2006 (2nd) Bonds, 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding,
380 any unconditional municipal bond insurance policy or surety bond issued by any

381 insurance company licensed to conduct an insurance business in any state of the United
382 States or by a service corporation acting on behalf of one or more such insurance
383 companies, which insurance company or service corporation is rated in one of the two
384 highest rating categories by Moody's, S&P, and any other rating agency then maintaining
385 a rating on the Parity Bonds, provided that as of the time of issuance of such policy or
386 surety bond, such insurance company or companies maintain a policy owner's surplus in
387 excess of \$500,000,000; and (ii) from and after such time as no Parity Bonds designated
388 as 2006 Bonds, 2006 (2nd) Bonds, 2007 Bonds, 2008 Bonds, or 2009 Bonds remain
389 outstanding, any unconditional municipal bond insurance policy or surety bond issued by
390 any insurance company licensed to conduct an insurance business in any state of the
391 United States or by a service corporation acting on behalf of one or more such insurance
392 companies, which insurance company or service corporation, as of the time of issuance of
393 such policy or surety bond, is then rated in one of the two highest rating categories by
394 Moody's, S&P, and any other rating agency then maintaining a rating on the Parity Bonds
395 and maintains a policy owner's surplus in excess of \$500,000,000.

396 "Qualified Letter of Credit" means any irrevocable letter of credit issued by a
397 bank for the account of the county and for the benefit of the registered owners of Parity
398 Bonds, provided that such bank maintains an office, agency or branch in the United
399 States, and provided further, that as of the time of issuance of such letter of credit, such
400 bank is currently rated in one of the two highest rating categories by Moody's, S&P, and
401 any other rating agency then maintaining a rating on the Parity Bonds.

402 "Rate Stabilization Fund" means the fund of that name created pursuant to
403 Ordinance 12314, Section 13.D., of the county and continued pursuant to Section 13.B.
404 of this ordinance.

405 "RCW" means the Revised Code of Washington.

406 "Rebate Amount" means the amount, if any, determined to be payable with
407 respect to the Bonds by the county to the United States of America in accordance with
408 Section 148(f) of the Code.

409 "Refunded Bonds" means for each series of Bonds the Refunding Candidates that
410 will be refunded from proceeds of that series of Bonds, as determined by the Finance
411 Manager pursuant to Sections 16 and 28 of this ordinance and set forth in a Sale Motion
412 in accordance with Sections 16 and 28 of this ordinance.

413 "Refunding Account" means any account authorized to be created pursuant to
414 Section 16 of this ordinance to provide for the refunding of any Refunded Bonds.

415 "Refunding Candidates" means the currently outstanding Parity Bonds, Parity
416 Lien Obligations, Junior Lien Obligations, Multi-Modal LTGO/Sewer Revenue Bonds
417 and Subordinate Lien Obligations and any obligations issued after the effective date of
418 this ordinance that are (i) designated as "Refunding Candidates" in the ordinance or sale
419 motion pursuant to which they are issued and are (ii) Future Parity Bonds, Future Parity
420 Lien Obligations, Future Junior Lien Obligations, Future Multi-Modal LTGO/Sewer
421 Revenue Bonds or Additional Subordinate Lien Obligations.

422 "Registered Owner" means, with respect to a Bond, the person in whose name
423 that Bond is registered on the Bond Register.

424 "Reserve Requirement" means maximum Annual Parity Debt Service with respect
425 to any calendar year.

426 "Revenue Fund" means the "Water Quality Operating Account" as designated by
427 Ordinance 12076, Section 30, of the county.

428 "Revenue of the System" means all the earnings, revenues and money received by
429 the county from or on account of the operations of the System and the income from the
430 investment of money in the Revenue Fund or any account within such fund, but shall not
431 include any money collected pursuant to the Service Agreements applicable to
432 administrative costs of the county other than costs of administration of the System. For
433 certain purposes described in Section 13.B. of this ordinance, deposits from the Rate
434 Stabilization Fund into the Revenue Fund may be included in calculations of "Revenue of
435 the System."

436 "Rule 15c2-12" means Rule 15c2-12 promulgated by the SEC under the
437 Securities and Exchange Act of 1934, as the same may be amended from time to time.

438 "S&P" means Standard and Poor's Ratings Services and its successors and
439 assigns, except that if that entity is dissolved or liquidated or no longer performs the
440 functions of a securities rating agency, then the term "S&P" will be deemed to refer to
441 any other nationally recognized securities rating agency selected by the county.

442 "Sale Motion" means, with respect to each series of the Bonds, the motion of the
443 council approving a bond purchase contract (if the Bonds are sold by negotiated sale) or
444 accepting a bid (if the Bonds are sold by competitive bid) for the purchase of the Bonds
445 and ratifying the sale of the Bonds, all in accordance with Section 28 of this ordinance.

446 "SEC" means the United States Securities and Exchange Commission.

447 "Securities Depository" means DTC, any successor thereto, any substitute
448 securities depository selected by the county that is qualified under applicable laws and
449 regulations to provide the services proposed to be provided by it, or the nominee of any
450 of the foregoing.

451 "Service Agreements" means the sewage disposal agreements entered into
452 between the county and municipal corporations, persons, firms, private corporations, or
453 governmental agencies providing for the disposal by the county of sewage collected from
454 such contracting parties.

455 "SRF Loans" means loans to the county by the State Department of Ecology
456 pursuant to loan agreements in effect as of the date of this ordinance and any loans and
457 loan agreements hereafter entered into by the county under the State water pollution
458 control revolving fund loan program, the repayment obligations of which are secured by a
459 lien on Revenue of the System equal to the lien thereon established by such loan
460 agreements.

461 "State" means the State of Washington.

462 "Subordinate Lien Obligations" means the Commercial Paper Notes, the Bank
463 Note and any Additional Subordinate Lien Obligations.

464 "System" means the sewers and sewage disposal facilities now or hereafter
465 acquired, constructed, used or operated by the county for the purpose of carrying out the
466 Comprehensive Plan.

467 "Tax Certificate" means the Federal Tax Certificate regarding certain federal tax
468 matters executed on behalf of the county upon the issuance of each series of the Bonds.

469 "Tax-Benefited Bonds" means Bonds other than Tax-Exempt Bonds that are
470 structured so as to confer certain benefits under the Code to the county or to the Owners
471 of such Bonds, as provided in Section 21 of this ordinance and so designated pursuant to
472 Section 28.A. of this ordinance.

473 "Tax-Exempt Bonds" means Bonds the interest on which the county intends to be
474 excludable from gross income for federal income tax purposes, as provided in Section 21
475 of this ordinance and so designated pursuant to Section 28.A. of this ordinance.

476 "Term Bonds" means those bonds identified as such in the proceedings
477 authorizing their issuance, the principal of which is amortized by a schedule of
478 mandatory redemptions, payable from a bond redemption fund, prior to their maturity.

479 "Trustee" means a trustee for the Parity Bonds authorized to be appointed by
480 registered owners of Parity Bonds, as provided by this ordinance.

481 "Undertaking" means an undertaking for ongoing disclosure to be entered into by
482 the county for each series of Bonds, if and to the extent required by Rule15c2-12, as
483 authorized by a Sale Motion.

484 "Variable Rate Parity Bonds" means Parity Bonds bearing interest at a variable
485 rate of interest, provided that at least one of the following conditions is met: (i) at the
486 time of issuance the county has entered into a Payment Agreement with respect to such
487 Parity Bonds, which Payment Agreement converts the effective interest rate to the county
488 on the Variable Rate Parity Bonds from a variable interest rate to a fixed interest rate, or
489 (ii) the Parity Bonds bear interest at a variable rate but are issued concurrently in equal
490 par amounts with other Parity Bonds bearing interest at a variable rate and are required to

491 remain outstanding in equal amounts at all times, if the net effect of such equal par
492 amounts and variable rates at all times is a fixed rate of interest to the county.

493 "Variable Rate Parity Lien Obligations" means Parity Lien Obligations bearing
494 interest at a variable rate of interest, provided that at least one of the following conditions
495 is met: (i) at the time of issuance the county has entered into a Payment Agreement with
496 respect to such Parity Lien Obligations, which Payment Agreement converts the effective
497 interest rate to the county on the Variable Rate Parity Lien Obligations from a variable
498 interest rate to a fixed interest rate or (ii) the Parity Lien Obligations bear interest at a
499 variable rate but are issued concurrently in equal par amounts with other Parity Lien
500 Obligations bearing interest at a variable rate and which are required to remain
501 outstanding in equal amounts at all times, if the net effect of such equal par amounts and
502 variable rates at all times is a fixed rate of interest to the county.

503 **B. Rules of Interpretation.** As used in this ordinance, unless the context
504 otherwise requires:

505 1. The terms "hereby," "hereof," "hereto," "herein," "hereunder" and
506 any similar terms refer to this ordinance as a whole and not to any particular section,
507 subsection, paragraph or clause of this ordinance.

508 2. Unless the context otherwise indicates, words expressed in the
509 singular may include the plural and vice versa, and the use of the neuter, masculine, or
510 feminine gender is for convenience only and is deemed to mean and include the neuter,
511 masculine or feminine gender, as appropriate.

512 3. Any headings preceding the text of the various sections and
513 subsections of this ordinance, and any table of contents or marginal notes appended to

copies of this ordinance, are solely for convenience of reference and do not constitute a part of this ordinance, nor shall they affect its meaning, construction or effect.

4. All references in this ordinance to "sections," "subsections," "paragraphs" and "clauses" are to the corresponding sections, subsections, paragraphs or clauses of this ordinance as originally passed.

5. The term "including" means "including without limitation."

SECTION 2. Findings. Because conditions in the capital markets are volatile, the council finds that it is in the best interests of the county and ratepayers of the System that the county retain the flexibility to refund all or a portion of the Refunding Candidates by issuing the Bonds in one or more series, as Parity Bonds or Parity Lien Obligations, in order to effect a saving to the county and ratepayers of the Sewer System or when necessary or in the best interest of the county and ratepayers of the Sewer System to modify debt service or reserve requirements, sources of payment, covenants or other terms of the Refunded Bonds. To achieve this flexibility, the council further finds that it is in the best interests of the county and ratepayers of the System that a plan of refunding and the sale of Bonds in one or more series, as Parity Bonds or Parity Lien Obligations, as Tax-Exempt Bonds, Tax Benefited Bonds or otherwise, by competitive bid or negotiated sale, for current or future delivery, be determined by the Finance Director, in consultation with the county's financial advisors. Each sale of a series of Bonds shall be ratified and confirmed by the council in a Sale Motion.

SECTION 3. Authorization of Bonds. To provide funds to refund the Refunded Bonds, the county is authorized to issue one or more series of Bonds in principal amounts to be established as provided in Sections 16 and 28 of this ordinance.

537 The Bonds may be issued in one or more series of Parity Bonds or Parity Lien
538 Obligations, as provided in Section 28 of this ordinance, each such series of Parity Bonds
539 to be designated as "King County, Washington, Sewer [Improvement and] Refunding
540 Revenue Bonds" with an applicable year and series designation, and each such series of
541 Parity Lien Obligations to be designated as "King County Limited Tax General
542 Obligation [Improvement and] Refunding Bonds (Payable from Sewer Revenues)" with
543 an applicable year and series designation. The Bonds shall be fully registered as to both
544 principal and interest; shall be in the denomination of \$5,000 or any integral multiple
545 thereof within a single series, maturity and interest rate; shall be numbered separately in
546 such manner and with any additional designation as the Bond Registrar deems necessary
547 for purposes of identification; and shall be dated the date and mature on the dates, in the
548 years and in the amounts established as provided in Section 28 of this ordinance.

549 The Bonds shall bear interest (computed, unless otherwise provided in the Sale
550 Motion, on the basis of a 360-day year of twelve 30-day months) from their dated date or
551 from the most recent interest payment date for which interest has been paid or duly
552 provided for, whichever is later, payable on interest payment dates and at the rate or rates
553 established as provided in Section 28 of this ordinance and ratified and confirmed by a
554 Sale Motion. The Accreted Values of any Bonds that are Capital Appreciation Bonds
555 shall be set forth in a Sale Motion.

556 **SECTION 4. Registration, Exchange and Payments.**

557 **A. Bond Registrar/Bond Register.** In accordance with KCC 4.84, the
558 county adopts for the Bonds the system of registration specified and approved by the
559 Washington State Finance Committee, which utilizes the fiscal agent of the State as

560 registrar, authenticating agent, paying agent and transfer agent ("the Bond Registrar").

561 The Bond Registrar shall keep, or cause to be kept, at its designated corporate trust office,

562 sufficient books for the registration and transfer of the Bonds ("the Bond Register"),

563 which shall be open to inspection by the county at all times. The Bond Register shall

564 contain the name and mailing address of the Registered Owner of each Bond and the

565 principal amount and number of each of the Bonds held by each Registered Owner. The

566 Bond Registrar is authorized, on behalf of the county, to authenticate and deliver Bonds

567 transferred or exchanged in accordance with the provisions of the Bonds and this

568 ordinance, to serve as the county's paying agent for the Bonds and to carry out all of the

569 Bond Registrar's powers and duties under this ordinance.

570 The Bond Registrar shall be responsible for the representations contained in its

571 Certificate of Authentication on the Bonds. The Bond Registrar may become the Owner

572 of Bonds with the same rights it would have if it were not the Bond Registrar and, to the

573 extent permitted by law, may act as depository for and permit any of its officers or

574 directors to act as members of, or in any other capacity with respect to, any committee

575 formed to protect the rights of Owners.

576 B. **Registered Ownership.** The Bonds shall be issued only in registered

577 form as to both principal and interest and shall be recorded on the Bond Register. The

578 county and the Bond Registrar, each in its discretion, may deem and treat the Registered

579 Owner of each Bond as the absolute owner thereof for all purposes, and neither the

580 county nor the Bond Registrar shall be affected by any notice to the contrary. Payment of

581 each Bond shall be made as described in Section 4.E. of this ordinance, but registration of

582 ownership of each Bond may be transferred as provided herein. All payments made as

described in Section 4.E. of this ordinance shall be valid and shall satisfy and discharge the liability of the county upon such Bond to the extent of the amount or amounts so paid.

C. **Use of Depository.** The Bonds initially shall be registered in the name of Cede & Co., as the nominee of DTC. Each Bond registered in the name of the Securities Depository shall be held fully immobilized in book-entry only form by the Securities Depository in accordance with the provisions of the Letter of Representations. Neither the county nor the Bond Registrar shall have any obligation to participants of any Securities Depository or the persons for whom they act as nominees regarding accuracy of any records maintained by the Securities Depository or its participants. Neither the county nor the Bond Registrar shall be responsible for any notice that is permitted or required to be given to a Registered Owner except such notice as is required to be given by the Bond Registrar to the Securities Depository.

For so long as the Bonds are registered in the name of the Securities Depository, the Securities Depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references to Registered Owners shall mean the Securities Depository and shall not mean the Beneficial Owners. Registered ownership of any Bond registered in the name of the Securities Depository may not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed by the county; or (iii) to any person if the Bond is no longer to be held by a Securities Depository.

Upon the resignation of the Securities Depository, or upon a termination of the services of the Securities Depository by the county, the county may appoint a substitute Securities Depository. If (i) the Securities Depository resigns and the county does not

606 appoint a substitute Securities Depository, or (ii) the county terminates the services of the
607 Securities Depository, the Bonds no longer shall be held in book-entry only form and the
608 registered ownership of each Bond may be transferred to any person as provided in this
609 ordinance.

610 D. **Registration Covenant.** The county covenants that, until all Bonds have
611 been surrendered and canceled, it will maintain a system for recording the ownership of
612 each Bond that complies with the provisions of Section 149 of the Code.

613 E. **Place and Medium of Payment.** Principal of and premium, if any, and
614 interest on the Bonds are payable in lawful money of the United States of America.
615 Principal of and premium, if any, and interest on each Bond registered in the name of the
616 Securities Depository are payable in the manner set forth in the Letter of Representations.
617 Interest on each Bond not registered in the name of the Securities Depository is payable
618 by electronic transfer on the interest payment date, or by check or draft of the Bond
619 Registrar mailed on the interest payment date to the Registered Owner at the address
620 appearing on the Bond Register on the Record Date. However, the county is not required
621 to make electronic transfers except pursuant to a request by a Registered Owner in
622 writing received on or prior to the Record Date and at the sole expense of the Registered
623 Owner. Principal of and premium, if any, on each Bond not registered in the name of the
624 Securities Depository are payable upon presentation and surrender of the Bond by the
625 Registered Owner to the Bond Registrar.

626 F. **Transfer or Exchange of Registered Ownership; Change in**
627 **Denominations.** The registered ownership of any Bond may be transferred or
628 exchanged, but no transfer of any Bond shall be valid unless it is surrendered to the Bond

Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bond, at the option of the new Registered Owner) of the same series, date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same series, date, maturity and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any principal payment or redemption date, or, in the case of any proposed redemption of an Bond, after mailing of notice of the call of the Bond for redemption.

SECTION 5. Redemption Provisions; Purchase of Bonds.

A. **Optional Redemption.** All or some of the Bonds may be subject to redemption prior to their stated maturity dates at the option of the county at the times and on the terms set forth in the Sale Motion.

B. **Mandatory Redemption.** The county shall redeem any Term Bonds, if not redeemed under the optional redemption provisions set forth in the Sale Motion or purchased under the provisions set forth herein, randomly (or in such other manner as set forth in the applicable Sale Motion or as the Bond Registrar shall determine) at par plus

652 accrued interest on the dates and in the years and principal amounts as set forth in the
653 Sale Motion.

654 If the county redeems Term Bonds under the optional redemption provisions set
655 forth in the Sale Motion or purchases or defeases Term Bonds, the Term Bonds so
656 redeemed, purchased or defeased (irrespective of their redemption or purchase prices)
657 shall, unless otherwise provided in the Sale Motion, be credited against one or more
658 scheduled mandatory redemption amounts for those Term Bonds. The county shall
659 determine the manner in which the credit is to be allocated and shall notify the Bond
660 Registrar in writing of its allocation at least 60 days prior to the earliest mandatory
661 redemption date for the maturity of Term Bonds for which notice of redemption has not
662 already been given.

663 C. **Partial Redemption.** Whenever less than all of the Bonds of a single
664 maturity of a series are to be redeemed, the Securities Depository shall select the Bonds
665 registered in the name of the Securities Depository to be redeemed in accordance with the
666 Letter of Representations, and the Bond Registrar shall select all other Bonds to be
667 redeemed randomly, or in such other manner set forth in the Sale Motion or as the Bond
668 Registrar shall determine.

669 Portions of the principal amount of any Bond, in integral amounts of \$5,000, may
670 be redeemed, unless otherwise provided in the Sale Motion. If less than all of the
671 principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond
672 Registrar, there shall be issued to the Registered Owner, without charge therefor, a new
673 Bond (or Bonds, at the option of the Registered Owner) of the same series, maturity and

674 interest rate in any authorized denomination in the aggregate total principal amount
675 remaining outstanding.

676 **D. Purchase.** The county reserves the right and option to purchase any or all
677 of the Bonds in the open market or offered to the county at any time at any price
678 acceptable to the county plus accrued interest to the date of purchase.

679 **E. Bonds to be Canceled.** All Bonds purchased or redeemed under this
680 section shall be canceled.

681 **SECTION 6. Notice and Effect of Redemption.** Notice of redemption of each
682 Bond registered in the name of the Securities Depository shall be given in accordance
683 with the Letter of Representations. Notice of redemption of each other Bond, unless
684 waived by the Registered Owner, shall be given by the Bond Registrar not less than 20
685 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage
686 prepaid, to the Registered Owner at the address appearing on the Bond Register on the
687 Record Date. The requirements of the preceding sentences shall be deemed to have been
688 fulfilled when notice has been mailed as so provided, whether or not it is actually
689 received by any Owner. Notice of redemption shall also be mailed or sent electronically
690 within the same period to the MSRB, to any nationally recognized rating agency then
691 maintaining a rating on the Bonds at the request of the county, and to such other persons
692 and with such additional information as the Finance Director shall determine, but such
693 further notice shall not be a condition precedent to the redemption of any Bond.

694 In the case of an optional redemption, the notice of redemption may state that the
695 county retains the right to rescind the redemption notice and the redemption by giving a
696 notice of rescission to the affected Registered Owners at any time on or prior to the date

697 fixed for redemption. Any notice of optional redemption that is so rescinded shall be of
698 no effect, and each Bond for which a notice of optional redemption has been rescinded
699 shall remain outstanding.

700 Interest on each Bond called for redemption shall cease to accrue on the date fixed
701 for redemption, unless either the notice of optional redemption is rescinded as set forth
702 above, or money sufficient to effect such redemption is not on deposit in the Parity Bond
703 Fund or the Parity Lien Obligation Bond Fund, as applicable, or in a trust account
704 established to refund or defease the Bond.

705 SECTION 7. Form and Execution of Bonds. Bonds issued as Parity Bonds
706 shall be in substantially the form set forth in Attachment C to this ordinance. Bonds
707 issued as Parity Lien Obligations shall be in substantially the form set forth in
708 Attachment D to this ordinance. The Bonds shall be signed by the county executive and
709 the clerk of the council, either or both of whose signatures may be manual or in facsimile,
710 and the seal of the county or a facsimile reproduction thereof shall be impressed or
711 printed thereon.

712 Only a Bond bearing a Certificate of Authentication in the form set forth in
713 Attachment C or Attachment D to this ordinance, as applicable, manually signed by the
714 Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of
715 this ordinance. The authorized signing of a Certificate of Authentication shall be
716 conclusive evidence that the Bond so authenticated has been duly executed, authenticated
717 and delivered and is entitled to the benefits of this ordinance.

718 If any officer whose manual or facsimile signature appears on a Bond ceases to be
719 an officer of the county authorized to sign bonds before the Bond bearing his or her

720 manual or facsimile signature is authenticated by the Bond Registrar, or issued or
721 delivered by the county, that Bond nevertheless may be authenticated, issued and
722 delivered and, when authenticated, issued and delivered, shall be as binding on the county
723 as though that person had continued to be an officer of the county authorized to sign
724 bonds. Any Bond also may be signed on behalf of the county by any person who, on the
725 actual date of signing of the Bond, is an officer of the county authorized to sign bonds,
726 although he or she did not hold the required office on the dated date of the Bond.

727 SECTION 8. Mutilated, Lost, Stolen or Destroyed Bonds. If any Bond
728 becomes mutilated, the Bond Registrar may authenticate and deliver a new Bond or
729 Bonds of like amount, date, series, interest rate and tenor to the Registered Owner thereof
730 upon the Registered Owner's paying the expenses and charges of the county and the Bond
731 Registrar in connection therewith and upon surrender to the Bond Registrar of the Bond
732 so mutilated. Every mutilated Bond so surrendered shall be canceled and destroyed by
733 the Bond Registrar.

734 If any Bond is lost, stolen or destroyed, the Bond Registrar may authenticate and
735 deliver a new Bond or Bonds of like amount, date, series, interest rate and tenor to the
736 Registered Owner thereof upon the Registered Owner's paying the expenses and charges
737 of the county and the Bond Registrar in connection therewith and upon filing with the
738 Bond Registrar evidence satisfactory to the Bond Registrar that such Bond was actually
739 lost, stolen or destroyed and of registered ownership thereof, and upon furnishing the
740 county and the Bond Registrar with indemnity satisfactory to the Finance Director and
741 the Bond Registrar.

742 **SECTION 9. Parity Bond Fund.** A special fund of the county known as the
743 "Water Quality Revenue Bond Account" ("the Parity Bond Fund") has heretofore been
744 created and is hereby continued, along with the accounts therein described in this section.
745 The Parity Bond Fund is at all times completely segregated and set apart from all other
746 funds and accounts of the county and is a trust fund for the security and payment of the
747 principal of and interest and any redemption premium on any Parity Bonds. All money
748 credited to the Parity Bond Fund is pledged and ordered to be used for the sole purpose of
749 paying the principal of and interest and any redemption premium on the Parity Bonds.

750 **A. Debt Service Account.** A "Debt Service Account" has heretofore been
751 established in the Parity Bond Fund. The county hereby obligates and binds itself to set
752 aside and pay into that account out of Revenue of the System amounts sufficient, together
753 with accrued interest, if any, received at the time of delivery of any series of Bonds that
754 are Parity Bonds and deposited therein, income from the investment of money in the Debt
755 Service Account and Parity Bond Reserve Account, and any other money on deposit in
756 the Debt Service Account and legally available, to pay the principal of and interest on
757 outstanding Parity Bonds as the same become due and payable.

758 For each series of the Bonds that are Parity Bonds there is hereby authorized to be
759 created a special subaccount in the Debt Service Account. All money required by this
760 subsection A. of this section to be deposited into the Debt Service Account for the
761 payment of principal of and interest on that series of the Bonds shall be deposited into the
762 subaccount created for the series. Money in the subaccount will be treated in all respects
763 as all other money in the Debt Service Account, but will be accounted for separately for

764 the purpose of calculating any Rebate Amount payable with respect to that series of the
765 Bonds.

766 Payments on account of each series of the Bonds that are Parity Bonds will be
767 made out of Revenue of the System into the applicable debt service subaccount in the
768 Parity Bond Fund on or before the day each payment of interest on or principal of those
769 Bonds is due.

770 B. **Term Bond Provisions.** If any Bonds issued as Parity Bonds are
771 designated as Term Bonds pursuant to Section 28 of this ordinance, the Sale Motion for
772 that series of Bonds shall set forth a mandatory redemption schedule to amortize the
773 principal of those Parity Term Bonds. Payments of principal of Parity Term Bonds under
774 any such mandatory redemption schedule shall be made from the Debt Service Account,
775 as provided in subsection A. of this section, to the extent not credited pursuant to Section
776 5.B. of this ordinance.

777 The county covenants that if it issues any Future Parity Bonds as Term Bonds, it
778 will identify those Future Parity Bonds as Parity Term Bonds in the proceedings
779 authorizing their issuance and establish a schedule of mandatory redemptions, payable
780 from the Debt Service Account, to amortize the principal of the Parity Term Bonds prior
781 to their maturity.

782 C. **Parity Bond Reserve Account.** A Parity Bond Reserve Account has
783 heretofore been established in the Parity Bond Fund. The county hereby pledges that it
784 will pay into and maintain in the Parity Bond Reserve Account an amount that together
785 with other funds in the Parity Bond Reserve Account will be at least equal to the Reserve
786 Requirement. The county may substitute Qualified Insurance or a Qualified Letter of

787 Credit for amounts required to be paid into or maintained in the Parity Bond Reserve
788 Account. The Qualified Letter of Credit or Qualified Insurance must not be cancelable
789 on less than five years' notice. In the event of any cancellation, the Parity Bond Reserve
790 Account will be funded in accordance with the provisions of this section providing for
791 payment in the event of a deficiency therein, as if the Parity Bonds that remain
792 outstanding had been issued on the date of such notice of cancellation.

793 On the date of Closing of a series of Bonds that are Parity Bonds, an amount
794 sufficient to satisfy the Reserve Requirement in the Parity Bond Reserve Account
795 required by the issuance of that series of Bonds must be deposited therein from the
796 proceeds of Parity Bonds or other funds available therefor or provided for by Qualified
797 Insurance or a Qualified Letter of Credit, as herein permitted.

798 If there is a deficiency in the Debt Service Account to make any payment when
799 due of either principal of or interest on any Parity Bonds, the deficiency will be made up
800 from the Parity Bond Reserve Account by the withdrawal of money therefrom and by the
801 sale or redemption of obligations held in the Parity Bond Reserve Account, if necessary,
802 in such amounts as will provide cash in the Parity Bond Reserve Account sufficient to
803 make up any such deficiency. If a deficiency still exists immediately prior to an interest
804 payment date and after the withdrawal of cash, the county will then draw from any
805 Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility in
806 sufficient amount to make up the deficiency. The draw will be made at such times and
807 under such conditions as the agreement for the Qualified Letter of Credit or Qualified
808 Insurance provides. If more than one Qualified Letter of Credit or Qualified Insurance is
809 available, draws will be made ratably thereon to make up the deficiency. Any deficiency

created in the Parity Bond Reserve Account by reason of any such withdrawal must then be made up from Revenue of the System that is available after first making the payments required to be made under paragraph "First" through "Third" of Section 14 of this ordinance.

Income from the investment of money in the Parity Bond Reserve Account will be deposited in and become a part of the Parity Bond Fund.

SECTION 10. Parity Lien Obligation Bond Fund. A special fund of the county known as the "Water Quality Limited Tax General Obligation Bond Redemption Fund" ("the Parity Lien Obligation Bond Fund") has heretofore been created and is hereby continued, along with the accounts therein described in this section. The Parity Lien Obligation Bond Fund is at all times completely segregated and set apart from all other funds and accounts of the county and is a trust fund for the security and payment of the principal of and interest and any redemption premium on the Parity Lien Obligations. All money credited to the Parity Lien Obligation Bond Fund is pledged and ordered to be used for the sole purpose of paying the principal of and interest and any redemption premium on the Parity Lien Obligations.

A. **Debt Service Account.** A "Debt Service Account" has heretofore been established in the Parity Lien Obligation Bond Fund. The county hereby obligates and binds itself to set aside and pay into that account out of Revenue of the System amounts sufficient, together with accrued interest, if any, received at the time of delivery of any series of Bonds issued as Parity Lien Obligations and deposited therein, income from the investment of money in the Debt Service Account and any other money on deposit in the

832 Debt Service Account and legally available, to pay the principal of and interest on
833 outstanding Parity Lien Obligations as the same become due and payable.

834 For each series of the Bonds issued as Parity Lien Obligations, there is hereby
835 authorized to be created a special subaccount in the Debt Service Account. All money
836 required by this subsection A. to be deposited into the Debt Service Account for the
837 payment of principal of and interest on that series of the Bonds will be deposited into the
838 subaccount created for the series. Money in that subaccount will be treated in all respects
839 as all other money in the Debt Service Account, but will be accounted for separately for
840 the purpose of calculating any Rebate Amount payable with respect to that series of the
841 Bonds.

842 Payments on account of each series of the Bonds issued as Parity Lien
843 Obligations will be made out of Revenue of the System into the applicable debt service
844 subaccount in the Parity Lien Obligation Bond Fund on or before the day each payment
845 of interest on or principal of those Bonds is due.

846 B. **Term Bond Provisions.** If any Bonds issued as Parity Lien Obligations
847 are designated as Term Bonds pursuant to Section 28 of this ordinance, the Sale Motion
848 for that series of Bonds shall set forth a mandatory redemption schedule to amortize the
849 principal of those Parity Lien Obligation Term Bonds. Payments of principal of Parity
850 Lien Obligation Term Bonds under any such mandatory redemption schedule will be
851 made from the Debt Service Account, as provided in subsection A. of this section, to the
852 extent not credited pursuant to Section 5.B. of this ordinance.

853 The county covenants that if it issues any additional Parity Lien Obligations as
854 Term Bonds, it will identify those Parity Lien Obligations as Term Bonds in the

855 proceedings authorizing their issuance and establish a schedule of mandatory
856 redemptions, payable from the Debt Service Account, to amortize the principal of those
857 Parity Lien Obligation Term Bonds prior to their maturity.

858 SECTION 11. Pledge of Taxation and Credit. The county hereby irrevocably
859 covenants and agrees for as long as any Bonds issued as Parity Lien Obligations are
860 outstanding and unpaid, that each year it will include in its budget and levy an *ad*
861 *valorem* tax upon all the property within the county subject to taxation in an amount that
862 will be sufficient, together with all other revenues and money of the county legally
863 available for such purposes, to pay the principal of and interest on those Bonds issued as
864 Parity Lien Obligations as the same become due. All of the taxes so collected will be
865 paid into the Parity Lien Obligation Bond Fund no later than the date those funds are
866 required for the payment of principal and interest on the Bonds issued as Parity Lien
867 Obligations.

868 The county hereby irrevocably pledges that the annual tax herein authorized to be
869 levied for the payment of such principal and interest shall be within and a part of the tax
870 levy permitted to counties without a vote of the people, and that a sufficient portion of the
871 taxes to be levied and collected annually by the county prior to the full payment of the
872 principal of and interest on the Bonds issued as Parity Lien Obligations will be and is
873 hereby irrevocably set aside, pledged and appropriated for the payment of the principal of
874 and interest on those Bonds.

875 The full faith, credit and resources of the county are hereby irrevocably pledged
876 for the annual levy and collection of those taxes and for the prompt payment of the

principal of and interest on those Bonds issued as Parity Lien Obligations as the same become due.

Any Bonds issued hereunder as Parity Bonds are not general obligations of the county, and neither the full faith and credit nor the taxing power of the county are pledged to pay or secure the payment of Bonds issued as Parity Bonds hereunder.

SECTION 12. Pledge of Sewer Revenues.

A. **Parity Bonds.** The amounts covenanted to be paid out of Revenue of the System into the Parity Bond Fund and the accounts therein shall constitute a lien and charge on Revenue of the System superior to all other charges of any kind or nature except Operating and Maintenance Expenses, and of equal lien to any charges heretofore or hereafter made on Revenue of the System for the payment of the principal of and interest on any Parity Bonds.

If money and investments in the Debt Service Account of the Parity Bond Fund and the Parity Bond Reserve Account are reduced below the amounts required to pay the principal and/or interest then due and payable on any Parity Bonds, funds on deposit in any reserve created in the Revenue Fund not then required for the payment of necessary Operating and Maintenance Expenses will be transferred to the Debt Service Account of the Parity Bond Fund to the extent required to pay that principal and interest.

B. **Parity Lien Obligations.** The amounts covenanted to be paid out of Revenue of the System into the Parity Lien Obligation Bond Fund and the accounts therein shall constitute a lien and charge on Revenue of the System subject to Operating and Maintenance Expenses, and junior, subordinate and inferior to the lien and charge on Revenue of the System for the payments required by the ordinances authorizing the

900 Parity Bonds to be made into the Parity Bond Fund and the accounts therein, and equal to
901 the lien and charge on Revenue of the System for the payments required to be made by
902 the ordinances authorizing the issuance of the outstanding Parity Lien Obligations and
903 any additional Parity Lien Obligations, and superior to all other liens and charges on
904 Revenue of the System whatsoever.

905 **SECTION 13. Revenue Fund; Rate Stabilization Fund.**

906 A. **Revenue Fund.** A special fund of the county known as the "Water
907 Quality Operating Account" ("the Revenue Fund") has heretofore been created and is
908 hereby continued. All Revenue of the System will be deposited in the Revenue Fund.
909 All Operating and Maintenance Expenses will be paid out of the Revenue Fund or
910 appropriate reserves therein.

911 B. **Rate Stabilization Fund.** In anticipation of increases in revenue
912 requirements of the System, a special fund of the county designated as the "Sewer Rate
913 Stabilization Fund" ("the Rate Stabilization Fund") has heretofore been established and is
914 hereby continued. The county may from time to time appropriate or budget amounts in
915 the Revenue Fund for deposit in the Rate Stabilization Fund, as provided in Section 14 of
916 this ordinance, and may from time to time withdraw amounts therefrom for deposit in the
917 Revenue Fund to prevent or mitigate sewer rate increases or for other lawful purposes of
918 the county related to the System, including calculations of "Net Revenue" and "Revenue
919 of the System" for the purposes of satisfying requirements of Sections 18, 24 and 25 of
920 this ordinance.

921 For any fiscal year, (i) amounts withdrawn from the Revenue Fund and deposited
922 into the Rate Stabilization Fund for that fiscal year must be subtracted from Net Revenue

923 for that fiscal year, and (ii) amounts withdrawn from the Rate Stabilization Fund and
924 deposited in the Revenue Fund for that fiscal year may be added to Revenue of the
925 System for that fiscal year.

926 SECTION 14. Sewer Revenue Priorities of Payment. So long as any Bond is
927 outstanding, all Revenue of the System will be deposited into the Revenue Fund and used
928 and applied in the following order of priority:

929 **First**, to pay all Operating and Maintenance Expenses;

930 **Second**, to make all required deposits into the Debt Service Account in the Parity
931 Bond Fund to provide for the payment of principal of and interest on Parity Bonds as the
932 same become due and payable and to make any Payment Agreement Payments with
933 respect to any Parity Payment Agreements;

934 **Third**, to make all payments required to be made pursuant to a reimbursement
935 agreement or agreements (or other equivalent documents) in connection with Qualified
936 Insurance or a Qualified Letter of Credit; provided, that if there is not sufficient money to
937 make all payments under such reimbursement agreements, the payments will be made on
938 a pro rata basis;

939 **Fourth**, to establish and maintain the Parity Bond Reserve Account (including
940 making deposits into such account and paying the costs of obtaining Qualified Insurance
941 or a Qualified Letter of Credit therefor);

942 **Fifth**, to make all required payments of principal and interest on the Parity Lien
943 Obligations and to make any Payment Agreement Payments with respect to any Parity
944 Lien Obligation Payment Agreements; and

945 **Sixth**, to make all required payments of principal of and interest on the Junior
946 Lien Obligations as the same become due and payable, to make all Payment Agreement
947 Payments with respect to any Payment Agreements entered into with respect to Junior
948 Lien Obligations, and to make any payments required to be made to providers of any
949 credit enhancements or liquidity facilities for Junior Lien Obligations;

950 **Seventh**, to make all required payments of principal of and interest on the Multi-
951 Modal LTGO/Sewer Revenue Lien Obligations as the same become due and payable, to
952 make all Payment Agreement Payments for any Payment Agreements entered into with
953 respect to Multi-Modal LTGO/Sewer Revenue Bonds, and to make any payments
954 required to be made to providers of credit enhancements or liquidity facilities for any
955 Multi-Modal LTGO/Sewer Revenue Bonds;

956 **Eighth**, to make all required payments of principal of and interest on the
957 Subordinate Lien Obligations as the same become due and payable;

958 **Ninth**, to make all required payments of principal of and interest on bonds, notes,
959 warrants and other evidences of indebtedness, the lien and charge on Revenue of the
960 System of which is junior and inferior to the Subordinate Lien Obligations, as the same
961 become due and payable; and

962 **Tenth**, to make all required payments of principal of and interest due on the SRF
963 Loans and the Public Works Trust Fund Loans.

964 Any surplus money that the county may have on hand in the Revenue Fund after
965 making all required payments set forth above may be used by the county (i) to make
966 necessary improvements, additions and repairs to and extensions and replacements of the
967 System, (ii) to purchase or redeem and retire outstanding sewer revenue bonds of the

county, (iii) to make deposits into the Rate Stabilization Fund, or (iv) for any other lawful purposes of the county related to the System.

SECTION 15. Disposition of Bond Proceeds. The proceeds of the Bonds will be deposited as follows:

A. The amount equal to the interest, if any, accruing on each series of the Bonds from their dated date to the date of their Closing will be deposited in the appropriate subaccount for the series created in the Debt Service Account in the Parity Bond Fund or Parity Lien Obligation Bond Fund, as applicable.

B. Proceeds of each series of the Bonds issued as Parity Bonds may be deposited into the Parity Bond Reserve Account, as will be provided for in each Sale Motion for any Bonds issued as Parity Bonds.

C. The balance of the proceeds of any Bonds will be deposited into the appropriate Refunding Account and applied as provided in Section 16 of this ordinance.

SECTION 16. Refunding Account; Plan of Refunding.

A. **Refunding Account; Guidelines for Refunding.** There is hereby authorized to be established one or more special accounts of the county to be maintained with the Escrow Agent, each to be known as a "King County [year and series designation] Sewer Revenue Bonds Refunding Account" (each, a "Refunding Account"). Each Refunding Account will be drawn upon for the sole purpose of paying the principal of and premium, if any, and interest on the applicable Refunded Bonds and of paying costs related to the issuance of that series of Bonds and to refunding the applicable Refunded Bonds. Proceeds of the sale of any Bonds, together with other county funds that may be designated for that purpose, will be deposited into each Refunding Account

to provide for refunding the applicable Refunded Bonds in accordance with the ordinances authorizing the Refunded Bonds and to pay the costs of issuance of the Bonds.

The Finance Director is authorized to determine, in consultation with the county's financial advisors, which of the Refunding Candidates, if any, are to be refunded. In determining which of the Refunding Candidates, if any, should be advance refunded under this ordinance in order to effect a saving to the county and ratepayers of the Sewer System, the council intends that the Finance Director adhere to a refunding guideline that the present value of the savings achieved by such an advance refunding meet or exceed a minimum level of 5% of the principal amount of Refunded Bonds that are advance refunded. This requirement does not apply to the current refunding of any Refunded Bonds, i.e., the redemption of Refunded Bonds paid for with proceeds of Bonds issued no earlier than 90 days prior to the date fixed for redemption of the Refunded Bonds, or to the refunding of any Refunded Bonds when necessary or in the best interest of the county and ratepayers of the Sewer System to modify debt service or reserve requirements, sources of payment, covenants or other terms of the Refunded Bonds.

B. Plan of Refunding. Each plan of refunding and call for redemption of Refunded Bonds shall be set forth in and ratified and confirmed by a Sale Motion. Money in each Refunding Account shall be used immediately upon receipt thereof to defease the applicable Refunded Bonds and discharge the other obligations of the county relating thereto under the ordinances that authorized the Refunded Bonds, by providing for the payment of the principal of and premium, if any, and interest on the Refunded Bonds as set forth in a Sale Motion. The county will defease such bonds and discharge

1014 such obligations by the use of the money in each Refunding Account to purchase
1015 Government Obligations (such obligations so purchased, "Escrow Securities") bearing
1016 interest and maturing as to principal and interest in such amounts and at such times that,
1017 together with any necessary beginning cash balance, will provide for the payment of such
1018 Refunded Bonds, as set forth in the Sale Motion. Such Escrow Securities shall be
1019 purchased at a yield not greater than the yield permitted by the Code and regulations
1020 relating to obligations acquired in connection with refunding bond issues.

1021 In connection with the issuance of each series of Bonds, to carry out the refunding
1022 and defeasance of Refunded Bonds, the Finance Director is hereby authorized to appoint
1023 an Escrow Agent qualified by law to perform the duties described herein. Any beginning
1024 cash balance and the Escrow Securities will be irrevocably deposited with the Escrow
1025 Agent in an amount sufficient to defease the Refunded Bonds in accordance with this
1026 section and the applicable Sale Motion.

1027 The county will take such actions as are found necessary to see that all necessary
1028 and proper fees, compensation and expenses of the Escrow Agent are paid when due.
1029 The proper officers and agents of the county are directed to negotiate an agreement with
1030 each Escrow Agent setting forth the duties, obligations and responsibilities of the Escrow
1031 Agent in connection with the redemption and retirement of the Refunded Bonds as
1032 provided herein and setting forth provisions for the payment of the fees, compensation
1033 and expenses of the Escrow Agent as are satisfactory to it. To carry out the purposes of
1034 this section, the Finance Director is authorized and directed to execute and deliver to each
1035 Escrow Agent an escrow agreement and, if requested, a costs of issuance agreement, in
1036 forms approved by the county's bond counsel.

1037 C. **Required Findings.** By a Sale Motion, the council shall set forth its
1038 finding of either:

1039 1. savings and defeasance regarding the Refunded Bonds authorized
1040 to be refunded from the proceeds of each series of Bonds; or

1041 2. the best interest of the county and ratepayers of the Sewer System
1042 from modifying debt service or reserve requirements, sources of payment, covenants or
1043 other terms of the Refunded Bonds authorized to be refunded from the proceeds of each
1044 series of Bonds.

1045 SECTION 17. Due Regard for Expenses. The council hereby declares that, in
1046 fixing the amounts to be paid into the Parity Bond Fund and Parity Lien Obligation Bond
1047 Fund, as applicable, and the accounts therein, out of Revenue of the System, it has
1048 exercised due regard for the necessary Operating and Maintenance Expenses and has not
1049 obligated the county to set aside, pay into and maintain in such funds and accounts a
1050 greater amount of Revenue of the System than in its judgment will be available over and
1051 above the necessary Operating and Maintenance Expenses.

1052 SECTION 18. Rate Covenants.

1053 A. **Parity Bonds.** The county hereby covenants with the Registered Owner
1054 of each of the Bonds issued as Parity Bonds for so long as any of the same are
1055 outstanding that the county will at all times establish, maintain and collect rates and
1056 charges for sewage disposal service that will provide in each calendar year Net Revenue
1057 in an amount that, together with the interest earned during that calendar year on
1058 investments of money in the Parity Bond Fund, Parity Bond Reserve Account and

1059 Construction Account, will equal or exceed 1.15 times the amount required to pay the
1060 Annual Parity Debt Service for such calendar year.

1061 At all times and in any event, rates and charges for sewage disposal service will
1062 be sufficient to provide funds adequate to operate and maintain the System, to make all
1063 payments and to establish and maintain all reserves required by this or any other
1064 ordinance authorizing obligations of the county payable from Revenue of the System, to
1065 make up any deficit in such payments remaining from prior years and to pay all costs
1066 incurred in the construction or acquisition of any portion of the Comprehensive Plan that
1067 may be ordered by the county and for the payment of which sewer revenue bonds (or
1068 other obligations payable from Revenue of the System) are not issued.

1069 B. **Parity Lien Obligations.** The county hereby covenants with the
1070 Registered Owner of each of the Bonds issued as Parity Lien Obligations for so long as
1071 any of the same are outstanding that the county will at all times establish, maintain and
1072 collect rates and charges for sewage disposal service that will be fair and
1073 nondiscriminatory and adequate to provide Revenue of the System sufficient for the
1074 proper operation and maintenance of the System; for the punctual payment of the
1075 principal of and interest on all outstanding Parity Bonds for which payment has not
1076 otherwise been provided and all amounts that the county is obligated to set aside in the
1077 Parity Bond Fund securing the Parity Bonds; for the punctual payment of the principal of
1078 and interest on all outstanding Parity Lien Obligations and for all amounts that the county
1079 is obligated to set aside in the Parity Lien Obligation Bond Fund; and for the payment of
1080 any and all other amounts that the county is now or may hereafter become obligated to
1081 pay from Revenue of the System.

1082 The county hereby further covenants with the Registered Owner of each of the
1083 Bonds issued as Parity Lien Obligations for so long as any of the same are outstanding
1084 that the county will at all times establish, maintain and collect rates and charges for
1085 sewage disposal service that will provide in each calendar year Net Revenue in an
1086 amount that, together with the interest earned during that calendar year on investments
1087 made of money in the Parity Bond Fund, Parity Bond Reserve Account, Parity Lien
1088 Obligation Bond Fund and Construction Account, is equal to at least 1.15 times the
1089 amounts required to pay the Annual Debt Service for such calendar year.

1090 C. **Rate Stabilization Fund.** In determining compliance with the
1091 requirements of this section, Revenue of the System and Net Revenue shall be calculated
1092 by taking into account deposits and withdrawals from the Rate Stabilization Fund as
1093 provided in Section 13.B. of this ordinance.

1094 **SECTION 19. Certain Other Covenants of the County Regarding the Bonds.**

1095 The county hereby covenants with the Registered Owner of each of the Bonds for as long
1096 as any of the Bonds are outstanding, as follows:

1097 A. **Maintain in Good Order.** The county will cause the System and the
1098 business in connection therewith to be operated in a safe, sound, efficient, and economic
1099 manner in compliance with all health, safety, and environmental laws, regulatory body
1100 rules, regulatory body orders and court orders applicable to the county's operation of the
1101 System, and will cause to be maintained, preserved, reconstructed, expanded and kept,
1102 with all appurtenances and every part and parcel thereof, in good repair, working order
1103 and condition, and will from time to time cause to be made, without undue deferral, all

1104 necessary or proper repairs, replacements and renewals, so that all times the operation of
1105 the System will be properly and advantageously conducted.

1106 B. **Books and Records.** The county will cause proper books of record and
1107 accounts of operation of the System to be kept, including an annual financial report.

1108 C. **Annual Audit.** The county will cause its books of accounts, including its
1109 annual financial report, to be audited annually by the State auditor's office or other State
1110 department or agency as may be authorized and directed by law to make such audits, or if
1111 such an audit is not made for twelve months after the close of any fiscal year of the
1112 county, by a Certified Public Accountant. The county will furnish the audit to the Owner
1113 of any Bond upon written request therefor.

1114 D. **Insurance.** The county will at all times carry fire and extended coverage
1115 and such other forms of insurance on such of the buildings, equipment, facilities and
1116 properties of the System as under good practice are ordinarily carried on such buildings,
1117 equipment, facilities and properties by municipal or privately owned utilities engaged in
1118 the operation of sewer systems and will also carry adequate public liability insurance at
1119 all times, provided that the county may, if deemed advisable by the council, institute or
1120 continue a self insurance program for any or all of the aforementioned risks.

1121 E. **Construction.** The county will cause the construction of any duly
1122 authorized and ordered portions of the Comprehensive Plan to be performed and
1123 completed within a reasonable time and at the lowest reasonable cost.

1124 F. **Collection of Revenue.** The county will operate and maintain the System
1125 and conduct its affairs so as to entitle it at all times to receive and enforce payment to it
1126 of sewage disposal charges payable (i) pursuant to the ordinance or ordinances

1127 establishing a tariff of rates and charges for sewage disposal services and (ii) under any
1128 Service Agreement that the county has now or may hereafter enter into and to entitle the
1129 county to collect all revenues derived from the operation of the System. The county shall
1130 not release the obligations of any person, corporation or political subdivision under such
1131 tariff of rates and charges or the Service Agreements and shall at all times, to the extent
1132 permitted by law, defend, enforce, preserve and protect the rights and privileges of the
1133 county and of the registered owners of the Parity Bonds and Parity Lien Obligations
1134 under or with respect thereto.

1135 In accordance with RCW 35.58.200(3), the county shall require any county, city,
1136 special district or other political subdivision to discharge to the System all sewage
1137 collected by that entity from any portion of the Seattle metropolitan area that can drain by
1138 gravity flow into facilities of the System that serve such areas if the council declares that
1139 the health, safety or welfare of the people within the metropolitan area require such
1140 action.

1141 G. **Legal Authority.** The county has full legal right, power and authority to
1142 adopt this ordinance, to sell, issue and deliver Bonds as provided herein, and to carry out
1143 and consummate all other transactions contemplated by this ordinance.

1144 H. **Due Authorization.** By all necessary official action prior to or
1145 concurrently herewith, the county has duly authorized and approved the execution and
1146 delivery of, and the performance by the county of its obligations contained in, the Bonds
1147 and in this ordinance and the consummation by it of all other transactions necessary to
1148 effectuate this ordinance in connection with the issuance of Bonds, and such

1149 authorizations and approvals are in full force and effect and have not been amended,
1150 modified or supplemented in any material respect.

1151 I. **Binding Obligation.** This ordinance constitutes a legal, valid and binding
1152 obligation of the county.

1153 J. **No Conflict.** The county's adoption of this ordinance and its compliance
1154 with the provisions contained herein will not conflict with or constitute a breach of or
1155 default under any constitutional provision, law, administrative regulation, judgment,
1156 decree, loan agreement, indenture, bond, note, resolution, ordinance, motion, agreement
1157 or other instrument to which the county is a party or to which the county or any of its
1158 property or assets are otherwise subject, nor will any such adoption or compliance result
1159 in the creation or imposition of any lien, charge or other security interest or encumbrance
1160 of any nature whatsoever upon any of the property or assets of the county or under the
1161 terms of any such law, regulation or instrument, except as permitted by this ordinance
1162 and the ordinances authorizing the issuance of other Parity Bonds and Parity Lien
1163 Obligations.

1164 K. **Performance Under Ordinance.** None of the proceeds of the Bonds will
1165 be used for any purpose other than as provided in this ordinance, and the county shall not
1166 suffer any amendment or supplement to this ordinance, or any departure from the due
1167 performance of the obligations of the county hereunder, that might materially adversely
1168 affect the rights of the Registered Owners from time to time of the Bonds.

1169 L. **Sale or Disposition.** The county will not sell or voluntarily dispose of all
1170 of the operating properties of the System unless provision is made for payment into the
1171 Parity Bond Fund and the Parity Lien Obligation Bond Fund of a sum sufficient to pay

1172 the principal of and interest on all outstanding Parity Bonds and Parity Lien Obligations
1173 in accordance with the terms thereof, nor will the county sell or voluntarily dispose of
1174 any part of the operating properties of the System unless provision is made (i) for
1175 payment into the Parity Bond Fund of an amount that will bear at least the same
1176 proportion to the amount of the outstanding Parity Bonds that the estimated amount of
1177 any resulting reduction in Revenue of the System for the twelve months following such
1178 sale or disposition bears to the Revenue of the System that would have been realized if
1179 such sale or disposition had not been made and (ii) for payment into the Parity Lien
1180 Obligation Bond Fund of an amount that will bear at least the same proportion to the
1181 amount of the outstanding Parity Lien Obligations that the estimated amount of any
1182 resulting reduction in Revenue of the System for the twelve months following such sale
1183 or disposition bears to the Revenue of the System that would have been realized if such
1184 sale or disposition had not been made. Those estimates must be made by a Professional
1185 Utility Consultant. Any money so paid into the Parity Bond Fund and the Parity Lien
1186 Obligation Bond Fund must be used to retire outstanding Parity Bonds and Parity Lien
1187 Obligations as provided herein at the earliest possible date; provided, however, that the
1188 county may sell or otherwise dispose of any of the works, plant, properties and facilities
1189 of the System or any real or personal property comprising a part of the System with a
1190 value of less than 5% of the net utility plant of the System or that have become
1191 unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or
1192 no longer necessary, material to or useful in such operation, without making any deposit
1193 into the Parity Bond Fund or Parity Lien Obligation Bond Fund.

1194 **SECTION 20. Certain Other Covenants of the County Regarding the Bonds**

1195 **Issued as Parity Lien Obligations.** The county makes the following covenants and
1196 warranties to the Registered Owner of each of the Bonds issued as Parity Lien
1197 Obligations:

1198 A. The Bonds issued as Parity Lien Obligations, when issued, sold,
1199 authenticated and delivered, will constitute the legal, valid and binding general
1200 obligations of the county.

1201 B. The county covenants that the Bonds issued as Parity Lien Obligations
1202 will be issued within all statutory and constitutional debt limitations applicable to the
1203 county.

1204 **SECTION 21. Tax Covenants.**

1205 A. **General.** The county may elect to structure any series of Bonds so that
1206 interest on that series of Bonds would be taxable or excludable from gross income for
1207 federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Code
1208 and the applicable regulations ("the Tax-Exempt Bonds") or to confer other benefits
1209 under the Code to the county or Owners of that series of Bonds ("Tax-Benefited Bonds").
1210 The county covenants not to take any action, or knowingly omit to take any action within
1211 its control, that if taken or omitted would cause the interest on Tax-Exempt Bonds to be
1212 includable in gross income, as defined in Section 61 of the Code, for federal income tax
1213 purposes. Additional tax covenants as necessary or desirable for any series of Bonds may
1214 be set forth in the Sale Motion or Tax Certificate for that series of Bonds.

1215 B. **Tax Certificate.** Upon the issuance of any series of Tax-Exempt Bonds
1216 or Tax-Benefited Bonds, the Finance Director is authorized to execute the Tax

Certificate, which will certify to various facts and representations concerning that series of Bonds, based on the facts and estimates known or reasonably expected on the date of their issuance, and make certain covenants with respect to that series of Bonds as may be necessary or desirable to obtain or maintain the benefits conferred under the Code relating to that series of Tax-Exempt Bonds or Tax-Benefited Bonds.

The county covenants that it will comply with the Tax Certificate unless it receives advice from nationally recognized bond counsel or the Internal Revenue Service that certain provisions have been amended or no longer apply to the Tax-Exempt Bonds or Tax-Benefited Bonds, as applicable.

C. **Arbitrage Rebate.** If the county does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the payment of arbitrage rebate to the United States with respect to a series of Bonds, the county will take all necessary steps to comply with the requirement that certain amounts earned by the county on the investment of the "gross proceeds" of that series of Bonds (within the meaning of the Code) be rebated.

SECTION 22. Trustee for Registered Owners of Parity Bonds.

A. **Appointment of Trustee.** Upon the occurrence of any "event of default" described in Section 23.A. of this ordinance, the registered owners of a majority in principal amount of the outstanding Parity Bonds may appoint a Trustee by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners or by their attorneys-in-fact duly authorized and delivered to the Trustee, notification thereof being given to the county. Any appointment of a Trustee under the provisions of this subsection A. must be a bank or trust company organized under the laws of the State

1240 or the State of New York or a national banking association. The fees and expenses of a
1241 Trustee must be borne by the owners of the Parity Bonds and not by the county. The
1242 bank or trust company acting as a Trustee may be removed at any time and a successor
1243 Trustee may be appointed by the registered owners of a majority in principal amount of
1244 the outstanding Parity Bonds, by an instrument or concurrent instruments in writing
1245 signed and acknowledged by such registered owners or by their attorneys-in-fact duly
1246 authorized.

1247 The Trustee appointed in the manner herein provided, and each successor thereto,
1248 is hereby declared to be a trustee for the registered owners of all the Parity Bonds and is
1249 empowered to exercise all rights and powers herein conferred on the Trustee.

1250 **B. Certain Rights and Obligations of Trustee.** The Trustee will not be
1251 responsible for recitals in any ordinance or in the Parity Bonds, or for the validity of any
1252 Parity Bonds, nor will the Trustee be responsible for insuring the System or for collecting
1253 any insurance money or for the title to any property of the System.

1254 The Trustee will be protected in acting upon any notice, request, consent,
1255 certificate, order, affidavit, letter or other paper or document believed by it to be genuine
1256 and correct and to have been signed, sent or delivered by the person or persons by whom
1257 such paper or document is purported to have been signed, sent or delivered.

1258 The Trustee will not be answerable for any neglect or default of any person, firm
1259 or corporation employed and selected by it with reasonable care.

1260 The Trustee will permit the owner of any Parity Bonds to inspect any instrument,
1261 opinion or certificate filed with the Trustee by the county or by any person, firm or
1262 corporation acting for the county.

1263 The Trustee will not be bound to recognize any person as an owner of any Parity
1264 Bond until his, her or its title thereto, if disputed, has been established to the Trustee's
1265 reasonable satisfaction.

1266 The Trustee may consult with counsel, and the opinion of such counsel will be
1267 full and complete authorization and protection in respect of any action taken or suffered
1268 by it hereunder in good faith and in accordance with the opinion of such counsel.

1269 **SECTION 23. Events of Default for Parity Bonds; Powers and Duties of**
1270 **Trustee.**

1271 A. **Events of Default.** The occurrence of one or more of the following is an
1272 "event of default" with respect to any Bonds issued as Parity Bonds under this ordinance:

1273 1. default in the payment of principal of or interest on any Parity
1274 Bonds when the same becomes due; or

1275 2. default in the observance or performance of any of the other
1276 covenants applicable to Parity Bonds herein contained, and the default continues for a
1277 period of six months after written notice to the county from the registered owner of a
1278 Parity Bond specifying the default and requiring that it be remedied.

1279 B. **Powers of Trustee.** The Trustee in its own name and on behalf of and for
1280 the benefit and protection of the registered owners of all Parity Bonds may proceed, and
1281 upon the written request of the registered owners of not less than 25% in principal
1282 amount of the Parity Bonds then outstanding must proceed, to protect and enforce any
1283 rights of the Trustee and, to the full extent that registered owners of Parity Bonds
1284 themselves might do, the rights of such registered owners of Parity Bonds under the laws
1285 of the State or under the ordinances providing for the issuance of the Parity Bonds, by

such suits, actions or proceedings in equity or at law, either for the specific performance of any covenant contained herein or in aid or execution of any power herein granted or for any proper legal or equitable remedy as the Trustee may deem most effectual to protect and enforce the rights of the Trustee and the registered owners of Parity Bonds. In the enforcement of any such rights under this or any other ordinance of the county, the Trustee is entitled to sue for, to enforce payment of and to receive any and all amounts due from the county for principal, interest or otherwise under any of the provisions of such ordinance, with interest on overdue payments at the rate or rates set forth in such Parity Bond or Parity Bonds, together with any and all costs and expenses of collection and of all proceedings taken by the Trustee without prejudice to any other right or remedy of the Trustee or of the owners of the Parity Bonds.

If default is made in the payment of principal of any Parity Bond and the default continues for a period of 30 days, the Trustee may not accelerate payment of any Parity Bonds but may proceed to enforce payment thereof as hereinabove provided. If, in the sole judgment of the Trustee, any default is cured and the Trustee furnishes the county a certificate so stating, that default is conclusively deemed to be cured, and the county, Trustee and owners of Parity Bonds will be restored to the same rights and position they would have held if no event of default had occurred.

C. **Actions in Name of Trustee.** All rights of action under this ordinance or upon any of the Parity Bonds enforceable by the Trustee may be enforced by the Trustee without the possession of any Parity Bonds or the production thereof in the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the

1308 Trustee will be brought in its name for the ratable benefit of the registered owners of all
1309 Parity Bonds, subject to the provisions of this ordinance.

1310 **D. Procedure by Bond Owners.** No owner of any one or more of the Parity
1311 Bonds has any right to institute any action, suit or proceedings at law or in equity for the
1312 enforcement of the same, unless an event of default occurs and unless no Trustee is
1313 appointed as herein provided, but any remedy herein authorized to be exercised by a
1314 Trustee may be exercised individually by any registered owner of a Parity Bond, in his,
1315 her or its own name and on his, her or its own behalf or for the benefit of all registered
1316 owners of Parity Bonds, if no Trustee is appointed, or with the consent of the Trustee if
1317 such Trustee has been appointed.

1318 **E. Application of Money Collected by Trustee.** Any money collected by
1319 the Trustee at any time pursuant to this section will be applied, first, to the payment of its
1320 charges, expenses, advances and compensation and the charges, expenses, counsel fees,
1321 disbursements and compensation of its agents and attorneys, and, second, toward
1322 payment of the amount then due and unpaid upon the Parity Bonds, ratably and without
1323 preference or priority of any kind not expressly provided in this ordinance, according to
1324 the amounts due and payable upon the Parity Bonds at the date fixed by the Trustee for
1325 the distribution of such money, upon presentation of the several Parity Bonds and upon
1326 causing such payment to be stamped thereon, if partly paid, and upon surrender thereof, if
1327 fully paid.

1328 **SECTION 24. Future Parity Bonds.** The county further covenants and agrees
1329 with the Registered Owner of each of the Bonds issued as Parity Bonds for as long as the
1330 same are outstanding that it will not create any special fund for the payment of the

1331 principal of and interest on any revenue bonds that will rank on a parity with or have any
1332 priority over the payments out of Revenue of the System required to be made into the
1333 Parity Bond Fund and the accounts therein to pay or secure the payment of the
1334 outstanding Parity Bonds. The county reserves the right for: (i) the purpose of acquiring,
1335 constructing and installing any portion of the Comprehensive Plan; (ii) the purpose of
1336 acquiring, constructing and installing any necessary renewals or replacements of the
1337 System; or (iii) the purpose of refunding or purchasing and retiring at or prior to their
1338 maturity any outstanding obligations of the county payable from Revenue of the System,
1339 to issue additional or refunding Parity Bonds (including Variable Rate Parity Bonds) and
1340 to make payments into the Parity Bond Fund out of the Revenue Fund that will be
1341 sufficient to pay the principal of and interest on those additional or refunding Parity
1342 Bonds and to maintain required reserves, such payments out of the Revenue Fund to rank
1343 equally with the payments out of the Revenue Fund required to be made into the Parity
1344 Bond Fund and the accounts therein for the payment of the principal of and interest on
1345 outstanding Parity Bonds, but only upon compliance with the following conditions:

1346 A. At the time of the issuance of any Future Parity Bonds there is no
1347 deficiency in the Parity Bond Fund or any account therein.

1348 B. Each ordinance providing for the issuance of any Future Parity Bonds that
1349 are refunding bonds must require that all money held in any fund or account of the county
1350 created for the purpose of paying the principal of and interest on the bonds being
1351 refunded either be used to pay the principal of and interest on such bonds or be
1352 transferred or paid into the Parity Bond Fund.

1353 C. Each ordinance providing for the issuance of Future Parity Bonds must
1354 provide for the payment of the principal thereof and interest thereon out of the Parity
1355 Bond Fund. The Future Parity Bonds may bear such date of issue, interest payment
1356 dates, and principal payment dates, and may mature in such year or years as the council
1357 provides. Each such ordinance will further provide that upon the issuance of any Future
1358 Parity Bonds, the county will pay into the Parity Bond Reserve Account an amount that
1359 will be sufficient to satisfy the Reserve Requirement then applicable or provide Qualified
1360 Insurance or a Qualified Letter of Credit to satisfy the Reserve Requirement.

1361 D. At the time of the issuance of any Future Parity Bonds, the county must
1362 have on file a certificate from a Professional Utility Consultant (the certificate may not be
1363 dated more than 90 days prior to the date of delivery of such Future Parity Bonds)
1364 showing that in his or her professional opinion the "annual income available for debt
1365 service on Parity Bonds" for each year during the life of such Future Parity Bonds shall
1366 be at least equal to 1.25 times the amount required in each such year to pay the Annual
1367 Parity Debt Service for such year. Such "annual income available for debt service on
1368 Parity Bonds" will be determined as follows for each year following the proposed date of
1369 issue of such Future Parity Bonds:

1370 1. The Revenue of the System will be determined for a period of any
1371 12 consecutive months out of the 18 months immediately preceding the delivery of the
1372 Future Parity Bonds being issued.

1373 2. Such revenue may be adjusted to give effect on a 12-month basis
1374 to the rates in effect on the date of such certificate.

1375 3. If there were any Customers added to the System during such 12-
1376 month period or thereafter and prior to the date of the Professional Utility Consultant's
1377 certificate, such revenue may be further adjusted on the basis that added Customers were
1378 Customers of the System during the entire 12-month period.

1379 4. There will be deducted from such revenue the amount expended
1380 for Operating and Maintenance Expenses during such period.

1381 5. For each year following the proposed date of issuance of such
1382 Future Parity Bonds the Professional Utility Consultant may add to the annual revenue
1383 determined in subsection D.1. through 4. of this section an estimate of the income to be
1384 received in each such year from the investment of money in the Parity Bond Fund and
1385 any account therein, and the Construction Account, which will be determined by and in
1386 the sole discretion of a firm of nationally recognized financial consultants selected by the
1387 county.

1388 6. Beginning with the second year following the proposed date of
1389 issue of such Future Parity Bonds and for each year thereafter, the Professional Utility
1390 Consultant may add to the annual revenue determined in subsection D.1. through 5. of
1391 this section his or her estimate of any additional annual revenue to be received from
1392 anticipated growth in the number of Customers within the area served by the System on
1393 the date of such certificate, after deducting therefrom any increased Operating and
1394 Maintenance Expenses estimated to be incurred as a result of such growth; provided, that
1395 the Professional Utility Consultant's estimate of the number of Customers served may not
1396 assume growth of more than 1/4 of 1% over and above the number of Customers served
1397 or estimated to be served during the preceding year.

1398 7. If extensions of or additions to the System are in the process of
1399 construction at the time of such certificate, or if the proceeds of the Future Parity Bonds
1400 being issued are to be used to acquire or construct extensions of or additions to the
1401 System, there may be added to the annual net revenue as above determined any revenue
1402 not included in subsection D.1. through 6. of this section that will be derived from such
1403 additions and extensions after deducting therefrom the estimated additional Operating
1404 and Maintenance Expenses to be incurred as a result of such additions and extensions;
1405 provided, that such estimated annual revenue will be based upon 75% of any estimated
1406 Customer growth in the four years following the first full year in which such additional
1407 revenue is to be collected and thereafter the estimated Customer growth may not exceed
1408 1/4 of 1% per year over and above such reduced estimate.

1409 E. Instead of the certificate described in subsection D. of this section, the
1410 county may elect instead to have on file a certificate of the Finance Director
1411 demonstrating that during any 12 consecutive calendar months out of the immediately
1412 preceding 18 calendar months Net Revenue was at least equal to 1.25 times the amount
1413 required to pay, in each year that such Future Parity Bonds would be outstanding, the
1414 Annual Parity Debt Service for such year.

1415 F. For the purpose of refunding at or prior to their maturity any outstanding
1416 Parity Bonds or any bonds or other obligations of the county payable from Revenue of
1417 the System, the county may at any time issue Future Parity Bonds without complying
1418 with the provisions of subsection D. or E. of this section; provided, that the county may
1419 not issue Future Parity Bonds for such purpose under this subsection F. unless the
1420 Finance Director certifies that upon the issuance of such Future Parity Bonds: (i) total

1421 debt service required for all Parity Bonds (including the refunding bonds and not
1422 including the bonds to be refunded thereby) will decrease; and (ii) the Annual Parity Debt
1423 Service for each year that any Parity Bonds (including the refunding bonds and not
1424 including the bonds to be refunded thereby) are then outstanding will not be increased by
1425 more than \$5,000 by reason of the issuance of such Future Parity Bonds.

1426 The principal amount of Future Parity Bonds issued pursuant to this subsection F.
1427 may include amounts necessary to pay the principal of the Parity Bonds or other
1428 obligations to be refunded, interest thereon to the date of payment or redemption thereof,
1429 any premium payable thereon upon such payment or redemption and the costs of issuance
1430 of such Future Parity Bonds, and if a Payment Agreement has been provided with respect
1431 to the obligations to be refunded, may include amounts necessary to make the payment of
1432 all amounts, if any, due and payable by the county under such Payment Agreement. The
1433 proceeds of such Future Parity Bonds will be held and applied in such manner as is
1434 provided for in the ordinance authorizing the issuance of the Parity Bonds or other
1435 obligations to be refunded, so that upon the delivery of such Future Parity Bonds, the
1436 Parity Bonds or other obligations to be reminded thereby will be deemed no longer
1437 outstanding in accordance with the ordinance authorizing their issuance.

1438 G. For so long as the county's Junior Lien Variable Rate Demand Sewer
1439 Revenue Bond, Series 2012, remains outstanding, at the time of issuing any Future Parity
1440 Bonds, the Finance Director shall provide to the registered owner of that bond a debt
1441 service coverage certificate as required by Ordinance 17495, Section 5.4.(a), of the
1442 county authorizing the issuance of that bond.

H. Nothing contained in this ordinance prevents the county from issuing revenue bonds that are a charge on Revenue of the System and money in the Revenue Fund junior or inferior to the payments required to be made therefrom into the Parity Bond Fund and any account therein, nor shall anything herein contained prevent the county from issuing Future Parity Bonds to refund maturing Parity Bonds for the payment of which money is not otherwise available.

SECTION 25. Additional Parity Lien Obligations. The county expressly reserves the right to issue additional Parity Bonds in accordance with the ordinances, including this ordinance, authorizing the Parity Bonds. Subject to this reservation of rights with respect to Parity Bonds, the county hereby covenants and agrees with the Registered Owner of each of the Bonds issued as Parity Lien Obligations, so long as such Bonds are outstanding, that it will not issue or incur any other additional indebtedness secured in whole or in part by a lien on Revenue of the System superior to the lien of such Bonds issued as Parity Lien Obligations.

A. Parity Lien Obligations Other Than Refunding Bonds. The county expressly reserves the right to issue or enter into additional Parity Lien Obligations (including Variable Rate Parity Lien Obligations as defined herein) for any lawful purpose of the county related to the System if at the time of issuing or entering into such Parity Lien Obligations:

1. There is no deficiency in the Parity Bond Fund, the Parity Lien Obligation Bond Fund or any other bond fund or account securing Parity Lien Obligations.

1465 2. The county has on file a certificate from a Professional Utility
1466 Consultant (the certificate may not be dated more than 90 days prior to the date of
1467 delivery of such Parity Lien Obligations) showing that in his or her professional opinion,
1468 the "annual income available for debt service on Parity Bonds and Parity Lien
1469 Obligations" for each year during the life of such Parity Lien Obligations is at least equal
1470 to 1.25 times the amount required to pay Annual Debt Service in each such year. Such
1471 "annual income available for debt service on Parity Bonds and Parity Lien Obligations"
1472 shall be determined as follows for each year following the proposed date of issue of such
1473 Parity Lien Obligations:

1474 a. The Revenue of the System will be determined for a period
1475 of any 12 consecutive months out of the 18 months immediately preceding the delivery of
1476 the Parity Lien Obligations being issued.

1477 b. Such revenue may be adjusted to give effect on a 12-month
1478 basis to the rates in effect on the date of such certificate.

1479 c. If there were any Customers added to the System during
1480 such 12-month period or thereafter and prior to the date of the Professional Utility
1481 Consultant's certificate, such revenue may be further adjusted on the basis that added
1482 Customers were Customers of the System during the entire 12-month period.

1483 d. There will be deducted from such revenue the amount
1484 expended for Operating and Maintenance Expenses during such period.

1485 e. For each year following the proposed date of issuance of
1486 such Parity Lien Obligations the Professional Utility Consultant may add to the annual
1487 revenue determined in clauses a through d of this paragraph 2 an estimate of the income

to be received in each such year from the investment of money in the Parity Bond Fund, the Parity Lien Obligation Bond Fund and the Construction Account, which will be determined by and in the sole discretion of a firm of nationally recognized financial consultants selected by the county.

f. Beginning with the second year following the proposed date of issue of such Parity Lien Obligations and for each year thereafter the Professional Utility Consultant may add to the annual revenue determined in clauses a through e of this paragraph 2 his or her estimate of any additional annual revenue to be received from anticipated growth in the number of Customers within the area served by the System on the date of such certificate, after deducting therefrom any increased Operating and Maintenance Expenses estimated to be incurred as a result of such growth; provided, that the Professional Utility Consultant's estimate of the number of customers served may shall not assume a growth of more than 1/4 of 1% over and above the number of customers served or estimated to be served during the preceding year.

g. If extensions of or additions to the System are in the process of construction at the time of such certificate, or if the proceeds of the Parity Lien Obligations being issued are to be used to acquire or construct extensions of or additions to the System, there may be added to the annual net revenue as above determined any revenue not included in clauses a through f of this paragraph 2 that will be derived from such additions and extensions after deducting therefrom the estimated additional Operating and Maintenance Expenses to be incurred as a result of such additions and extensions; provided, that such estimated annual revenue must be based upon 75% of any estimated Customer growth in the four years following the first full year in which such

1511 additional revenue is to be collected and thereafter the estimated Customer growth may
1512 not exceed 1/4 of 1% per year over and above such reduced estimate.

1513 3. Instead of the certificate described in subsection A.2. of this
1514 section, the county may elect to have on file a certificate of the Finance Director
1515 demonstrating that during any 12 consecutive calendar months out of the immediately
1516 preceding 18 calendar months Net Revenue was at least equal to 1.25 times the amount
1517 required to pay, in each year that such Parity Lien Obligations would be outstanding, the
1518 Annual Debt Service for such year.

1519 **B. Parity Lien Obligations That Are Refunding Bonds.**

1520 1. The county may at any time, for the purpose of refunding at or
1521 prior to their maturity any outstanding Parity Lien Obligations, Parity Bonds, or any
1522 bonds or other obligations of the county payable from Revenue of the System, issue
1523 additional Parity Lien Obligations without complying with the provisions of subsection
1524 A.2. and 3. of this section if there is filed with the clerk of the council a certificate of the
1525 Finance Director stating that upon the issuance of such additional Parity Lien
1526 Obligations: (i) total debt service on all Parity Bonds and Parity Lien Obligations
1527 (including the refunding bonds but not including the bonds to be refunded thereby) will
1528 decrease; and (ii) the Annual Debt Service for each year that any Parity Bonds and any
1529 Parity Lien Obligations (including the refunding bonds but not including the bonds to be
1530 refunded thereby) are then outstanding will not be increased by more than \$5,000 by
1531 reason of the issuance of such additional Parity Lien Obligations.

1532 2. The principal amount of such Parity Lien Obligations may include
1533 amounts necessary to pay the principal of the bonds or other obligations to be refunded,

interest thereon to the date of payment or redemption thereof and any premium payable thereon upon such payment or redemption and the costs of issuance of such Parity Lien Obligations and, if a Payment Agreement has been provided with respect to the obligations to be refunded, may include amounts necessary to make the payment of all amounts, if any, due and payable by the county under such Payment Agreement. The proceeds of such Parity Lien Obligations will be held and applied as is provided in the ordinance authorizing the issuance of such Parity Lien Obligations, so that upon the delivery of such Parity Lien Obligations, the bonds or other obligations to be refunded thereby will be deemed no longer outstanding in accordance with the ordinance authorizing their issuance.

3. At the election of the county, the provisions of this subsection B. need not apply to the refunding at one time of all the Parity Lien Obligations then outstanding.

4. Nothing contained in this ordinance prohibits or prevents, or will be deemed or construed to prohibit or prevent, the county from issuing Parity Lien Obligations to refund maturing Parity Lien Obligations of the county for the payment of which money is not otherwise available.

C. Additional Debt Service Coverage Certificate. For so long as the county's Junior Lien Variable Rate Demand Sewer Revenue Bond, Series 2012, remains outstanding, at the time of issuing any additional Parity Lien Obligations, the Finance Director shall provide to the registered owner of that bond a debt service coverage certificate as required by Ordinance 17495, Section 5.4.(a), of the county authorizing the issuance of that bond.

1557 D. **Subordinate Obligations.** Nothing in this ordinance prohibits, or will be
1558 deemed or construed to prohibit, the county from authorizing and issuing bonds, notes or
1559 other evidences of indebtedness for any purpose of the county related to the System
1560 payable in whole or in part from Revenue of the System and secured by a lien on
1561 Revenue of the System that is junior, subordinate and inferior to the lien of any Bonds
1562 issued as Parity Lien Obligations.

1563 SECTION 26. Reimbursement Obligations. If the county elects to secure any
1564 Bonds with a Credit Facility, the county may contract with the entity providing the Credit
1565 Facility that the reimbursement obligation, if any, to that entity will be a Parity Bond or
1566 Parity Lien Obligation, as applicable.

1567 SECTION 27. Payment Agreements.

1568 A. **General.** To the extent and for the purposes permitted from time to time
1569 by chapter 39.96 RCW, as it may be amended, and other applicable provisions of State
1570 law, the county may enter into Payment Agreements, subject to the conditions set forth in
1571 this section and in other provisions of this ordinance.

1572 B. **Manner and Schedule of Payments.** Each Payment Agreement must set
1573 forth the manner in which the Payment Agreement Payments and the Payment
1574 Agreement Receipts will be calculated and a schedule of payment dates.

1575 C. **Authorizing Ordinance.** Prior to entering into a Payment Agreement, the
1576 council must pass an ordinance authorizing such agreement and setting forth such
1577 provisions as the county deems necessary or desirable and are not inconsistent with the
1578 provisions of this ordinance.

1579 D. **Calculation of Payment Agreement Payments and Debt Service on**
1580 **Bonds with Respect to which a Payment Agreement is in Force.** It is the intent of the
1581 county, for purposes of Section 18, 24 or 25 of this ordinance, that debt service on Parity
1582 Bonds with respect to which a Parity Payment Agreement is in force will be calculated to
1583 reflect the net economic effect on the county intended to be produced by the terms of
1584 such Parity Bonds and Parity Payment Agreement and that debt service on Parity Lien
1585 Obligation Bonds with respect to which a Parity Lien Obligation Payment Agreement is
1586 in force will be calculated to reflect the net economic effect on the county intended to be
1587 produced by the terms of such Parity Lien Obligation Bonds and Parity Lien Obligation
1588 Payment Agreement. In calculating such amounts, the county will be guided by the
1589 following requirements.

1590 1. The amount of interest deemed to be payable on any Bonds with
1591 respect to which a Payment Agreement is in force will be an amount equal to the amount
1592 of interest that would be payable at the rate or rates stated in those Bonds plus Payment
1593 Agreement Payments minus Payment Agreement Receipts.

1594 2. For any period during which Payment Agreement Payments are
1595 not taken into account in calculating interest on any outstanding Bonds because the
1596 Payment Agreement is not then related to any outstanding Bonds, Payment Agreement
1597 Payments on that Parity Payment Agreement will be calculated based upon the following
1598 assumptions:

1599 a. **County Obligated to Make Payments Based on Fixed**
1600 **Rate.** If the county is obligated to make Payment Agreement Payments based on a fixed
1601 rate and the Qualified Counterparty is obligated to make payments based on a variable

rate index, payments by the county will be based on the assumed fixed payor rate, and payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable rate index specified by the Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made; and

b. **County Obligated to Make Payments Based on Variable Rate Index.** If the county is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make payments based on a fixed rate, payments by the county will be based on a rate equal to the average rate determined by the variable rate index specified by the Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made, and the Qualified Counterparty will make payments based on the fixed rate specified by the Payment Agreement.

E. **Prior Notice to Rating Agencies.** The county will give notice to Moody's and S&P 30 days prior to the date it intends to enter into a Parity Payment Agreement and will give notice to Fitch, Moody's and S&P 30 days prior to the date it intends to enter into a Parity Lien Obligation Payment Agreement.

SECTION 28. Sale of Bonds.

A. **Determination by Finance Director.** The Finance Director shall determine, in consultation with the county's financial advisors, the principal amount of each series of the Bonds, the Refunding Candidates to be refunded, whether each series of Bonds will be structured as Tax-Exempt Bonds, Tax-Benefited Bonds or otherwise, whether the Bonds will be sold separately or combined with one or more other series of the county's bonds and whether each series of Bonds will be sold by negotiated sale or

competitive bid and by current or future delivery. The authority to sell any Refunding Bonds as defined in and pursuant to Ordinance 17599 of the county, as amended by Ordinance 17958 of the county, will terminate on the effective date of this ordinance.

B. **Satisfaction of Additional Bonds Tests.** The Finance Director will provide or cause to be provided by a Professional Utility Consultant any certifications required to comply with the tests established in prior ordinances of the county for the issuance of additional Parity Bonds and additional Parity Lien Obligations, as applicable. In each Sale Motion for a series of Bonds, the council shall make findings regarding the satisfaction of the additional bonds tests applicable to that series of Bonds.

For so long as the county's Junior Lien Variable Rate Demand Sewer Revenue Bond, Series 2012, remains outstanding, at the time of issuing any Bonds hereunder, the Finance Director shall provide to the registered owner of that bond a debt service coverage certificate as required by Ordinance 17495, Section 5.4.(a), of the county authorizing the issuance of that bond.

C. **Procedure for Negotiated Sale.** If the Finance Director determines that any series of the Bonds will be sold by negotiated sale, the Finance Director shall, in accordance with applicable county procurement procedures, solicit one or more underwriting firms with which to negotiate the sale of the Bonds. The purchase contract for each series of the Bonds shall establish the year and series designation, date, principal amount, interest payment dates, interest rates, maturity schedule, refunding plan and redemption and bond insurance provisions of the Bonds. The bond purchase contract shall not be executed and delivered unless and until the council by a Sale Motion

1647 approves the bond purchase contract and ratifies and confirms the terms for the series of
1648 Bonds established therein.

1649 **D. Procedure for Sale by Competitive Bid.** If the Finance Director
1650 determines that any series of the Bonds will be sold by competitive bid, bids for the
1651 purchase of such Bonds will be received at such time or place and by such means as the
1652 Finance Director directs. The Finance Director is authorized to prepare an official notice
1653 of bond sale for such Bonds, establishing in such notice the year and series designation,
1654 date, principal amount, interest payment dates, maturity schedule and optional
1655 redemption and bond insurance provisions of the Bonds. The official notice of bond sale
1656 or an abridged form thereof may be published in such newspapers or financial journals as
1657 the county's financial advisors deem desirable or appropriate.

1658 Upon the date and time established for the receipt of bids for a series of the
1659 Bonds, the Finance Director or his designee will review the bids, cause the bids to be
1660 mathematically verified and report to the council regarding the bids received. Such bids
1661 will then be considered and acted upon by the council in an open public meeting. The
1662 council reserves the right to reject any and all bids for such Bonds. The council by a Sale
1663 Motion will approve the sale of such Bonds and ratify and confirm the year and series
1664 designation, date, principal amount, interest payment dates, interest rates, maturity
1665 schedule, refunding plan, redemption and bond insurance provisions and any other terms
1666 of such Bonds.

1667 **SECTION 29. Delivery of Bonds.** Following the sale of each series of the
1668 Bonds, the county will cause definitive Bonds to be prepared, executed and delivered in
1669 accordance with the provisions of this ordinance and in a form acceptable to DTC as

initial depository for the Bonds, with the approving legal opinion of municipal bond counsel regarding the Bonds.

SECTION 30. Preliminary Official Statement; Official Statement. The county authorizes and directs the Finance Director: (i) to review and approve the information contained in one or more preliminary official statements (each, a "Preliminary Official Statement") prepared in connection with the sale of each series of the Bonds; and (ii) for the sole purpose of the Bond purchasers' compliance with paragraph (b)(1) of Rule 15c2-12, to deem final that Preliminary Official Statement as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12. After each Preliminary Official Statement has been reviewed and approved in accordance with the provisions of this section, the county hereby authorizes distribution of such Preliminary Official Statement to prospective purchasers of such series of Bonds.

Following the sale of each series of the Bonds in accordance with Section 28 of this ordinance, the Finance Director is hereby authorized to review and approve on behalf of the county each final official statement with respect to such series of Bonds. The county shall cooperate with the purchaser of each series of Bonds to deliver or cause to be delivered, within seven business days after the date of the Sale Motion (or within such other period as may be required by applicable law) and in sufficient time to accompany any confirmation that requests payment from any customer of the purchaser, copies of the final official statement pertaining to such Bonds in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and the rules of the MSRB.

1691 **SECTION 31. Undertaking to Provide Ongoing Disclosure.** If and to the
1692 extent required by paragraph (b)(5) of Rule15c2-12, each Sale Motion will authorize an
1693 Undertaking for each series of the Bonds.

1694 **SECTION 32. General Authorization.** The appropriate county officials, agents
1695 and representatives are hereby authorized and directed to do everything necessary for the
1696 prompt sale, issuance, execution and delivery of the Bonds, and for the proper use and
1697 application of the proceeds of the sale thereof.

1698 **SECTION 33. Investment of Funds and Accounts.** Money in the Parity Bond
1699 Fund, Parity Bond Reserve Account, Parity Lien Obligation Bond Fund, Revenue Fund
1700 and Construction Account may be invested in any investments permitted for funds of the
1701 county. Obligations purchased as an investment of money in the Revenue Fund, Parity
1702 Bond Fund, Parity Lien Obligation Bond Fund, and Construction Account and accounts
1703 or subaccounts therein will be deemed at all times to be a part of such respective fund,
1704 account or subaccount, and the income or interest earned, profits realized or losses
1705 suffered by a fund, account or subaccount due to the investment thereof will be retained
1706 in, credited or charged, as the case may be, to such fund or account.

1707 In computing the amount in any fund or account under the provisions of this
1708 ordinance, obligations purchased as an investment of money therein will be valued at the
1709 cost or market price thereof, whichever is lower, inclusive of accrued interest.

1710 **SECTION 34. Refunding or Defeasance of Bonds.** The county may issue
1711 refunding obligations pursuant to State law or use money available from any other lawful
1712 source to carry out a refunding or defeasance plan, which may include: (i) paying when
1713 due the principal of and interest on any or all of the Bonds ("the defeased Bonds"); (ii)

redeeming the defeased Bonds prior to their maturity; and (iii) paying the costs of the refunding or defeasance. If the county sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance ("the trust account"), money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, refund or defease the defeased Bonds in accordance with their terms, then all right and interest of the Owners of the defeased Bonds in the covenants of this ordinance and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. Thereafter, the Registered Owners of defeased Bonds shall have the right to receive payment of the principal of and premium, if any, and interest on the defeased Bonds solely from the trust account and the defeased Bonds shall be deemed no longer outstanding. In that event, the county may apply money remaining in any fund or account (other than the trust account) established for the payment or redemption of the defeased Bonds to any lawful purpose.

Unless otherwise specified by the county in a refunding or defeasance plan, notice of refunding or defeasance shall be given, and selection of Bonds for any partial refunding or defeasance shall be conducted, in the manner prescribed in this ordinance for the redemption of Bonds.

SECTION 35. Supplemental Ordinances.

A. **Without Bondowner Consent.** The council from time to time and at any time may adopt an ordinance or ordinances supplemental to this ordinance which supplemental ordinance or ordinances thereafter will become a part of this ordinance, without the consent of owners of any of the Bonds, for any one or more of the following purposes:

1737 1. To add to the covenants and agreements of the county in this
1738 ordinance such other covenants and agreements thereafter to be observed that will not
1739 adversely affect the interests of the registered owners of any Parity Bonds or Parity Lien
1740 Obligations, as applicable, or to surrender any right or power herein reserved to or
1741 conferred upon the county.

1742 2. To make such provisions for the purpose of curing any ambiguities
1743 or of curing, correcting or supplementing any defective provision contained in this
1744 ordinance or any ordinance authorizing Parity Bonds or Parity Lien Obligations in regard
1745 to matters or questions arising under such ordinances as the council may deem necessary
1746 or desirable and not inconsistent with such ordinances and that will not adversely affect
1747 the interest of the registered owners of Parity Bonds or Parity Lien Obligations, as
1748 applicable.

1749 B. **With Bondowner Consent.**

1750 1. From and after such time as no Parity Bonds designated as 2006
1751 Bonds, 2006 (2nd) Bonds, 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding,
1752 with the consent of the registered owners of not less than 51% in aggregate principal
1753 amount of all Parity Bonds at the time outstanding, the council may adopt an ordinance or
1754 ordinances supplemental hereto for the purpose of adding any provisions to or changing
1755 in any manner or eliminating any of the provisions of this ordinance or of any
1756 supplemental ordinance applicable to Parity Bonds, except as described in subsection
1757 B.3. of this section.

1758 2. From and after such time as no Parity Lien Obligations designated
1759 as Series 2008 Bonds or Series 2009 Bonds remain outstanding, with the consent of the

registered owners of not less than 51% in aggregate principal amount of all Parity Lien Obligations at the time outstanding, the council may adopt an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this ordinance or of any supplemental ordinance applicable to Parity Lien Obligations, except as described in subsection B.3. of this section.

3. No supplemental ordinance entered into pursuant to this subsection B. may:

a. Extend the fixed maturity of any Parity Bonds or Parity Lien Obligations, or reduce the rate of interest thereon, or extend the time of payments of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the registered owner of each bond so affected; or

b. Reduce the aforesaid percentage of registered owners of Parity Bonds or Parity Lien Obligations required to approve any such supplemental ordinance, without the consent of the registered owners of all of such bonds.

4. It is not necessary for the consent of registered owners of bonds under this subsection B. to approve the particular form of any proposed supplemental ordinance, but it is sufficient if such consent approves the substance thereof.

SECTION 36. Ordinance a Contract; Severability. The covenants contained in this ordinance constitute a contract between the county and (i) the Registered Owners of each Bond, (ii) the Qualified Counterparty to any Payment Agreement entered into with respect to any Bonds and (iii) the provider of any Credit Facility, Qualified insurance or

1783 Qualified Letter of Credit with respect to any Bonds. If any court of competent
1784 jurisdiction determines that any covenant or agreement provided in this ordinance to be
1785 performed on the part of the county is contrary to law, then such covenant or agreement
1786 shall be null and void and shall be deemed separable from the remaining covenants and
1787 agreements of this ordinance and shall in no way affect the validity of the other
1788 provisions of this ordinance or of the Bonds.

1789 SECTION 37. Effective Date. This ordinance shall be effective 10 days after its
1790 enactment, in accordance with Article II of the county charter.

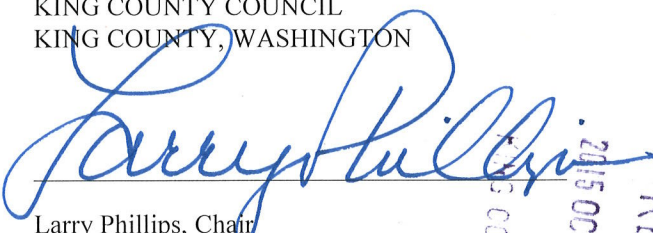
1791 SECTION 38. The county's authority to issue refunding bonds under this

1792 ordinance expires December 31, 2017. All provisions of this ordinance shall continue to
1793 apply to bonds issued before that date.
1794

Ordinance 18116 was introduced on 4/27/2015 and passed as amended by the
Metropolitan King County Council on 9/21/2015, by the following vote:

Yes: 9 - Mr. Phillips, Mr. von Reichbauer, Mr. Gossett, Ms. Hague,
Ms. Lambert, Mr. Dunn, Mr. McDermott, Mr. Dembowski and Mr.
Upthegrove
No: 0
Excused: 0

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON


Larry Phillips, Chair

ATTEST:



Anne Noris, Clerk of the Council

APPROVED this 30 day of SEPTEMBER 2015.



Dow Constantine, County Executive

Attachments: A. Parity Bonds, B. Parity Lien Obligations, C. form of Parity Bond, D. Form of Parity
Lien Obligation, E. Table of Contents

ATTACHMENT A

PARITY BONDS

Series	Ordinance	Date of Issue	Original Principal	Outstanding Principal (as of 2/18/2015)
2006 Bonds	15385	5/16/2006	\$124,070,000	\$ 24,070,000
2006 (2nd) Bonds	15385	11/30/2006	193,435,000	127,035,000
2007 Bonds	15758	6/26/2007	250,000,000	3,585,000
2008 Bonds	16133	8/14/2008	350,000,000	5,550,000
2009 Bonds	16133	8/12/2009	250,000,000	215,480,000
2010 Bonds	16868	7/29/2010	334,365,000	315,985,000
2011 Bonds	16868	1/25/2011	175,000,000	168,495,000
2011B Bonds	17111	10/5/2011	494,270,000	408,615,000
2011C Bonds	17111	11/1/2011	32,445,000	32,445,000
2012 Bonds	17111	4/18/2012	104,445,000	104,445,000
2012B Bonds	17111	8/2/2012	64,260,000	64,260,000
2012C Bonds	17111	9/19/2012	65,415,000	65,415,000
2013A Bonds	17111	4/9/2013	122,895,000	117,560,000
2013B Bonds	17599	10/29/2013	74,930,000	68,135,000
2014A Bond	17599	7/8/2014	75,000,000	75,000,000
2014B Bonds	17599	8/12/2014	192,460,000	190,790,000
2015A Bonds	17599	2/18/15	474,025,000	474,025,000

ATTACHMENT B
PARITY LIEN OBLIGATIONS

Series	Ordinance	Date of Issue	Original Principal	Outstanding Principal (as of 2/18/2015)
2008 Bonds	15779	2/12/2008	\$236,950,000	\$216,540,000
2009 Bonds	16133	4/8/2009	300,000,000	35,135,000
2012 Bonds	17111	4/18/2012	68,395,000	67,755,000
2012B Bonds	17111	8/2/2012	41,725,000	41,725,000
2012C Bonds	17111	9/19/2012	53,405,000	53,405,000
2015A Bonds	17599	2/18/2015	247,825,000	247,825,000

**ATTACHMENT C
FORM OF PARITY BOND**

No. R- _____

\$ _____

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the County or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), **ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL** inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA

STATE OF WASHINGTON

KING COUNTY

SEWER [IMPROVEMENT AND] REFUNDING REVENUE BOND, [YEAR], SERIES _____

Interest Rate:

_____%

Maturity Date:

CUSIP No.:

Registered Owner: CEDE & CO.**Principal Amount: _____ AND NO/100 DOLLARS**

KING COUNTY, WASHINGTON (the "County"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, the Principal Amount specified above and to pay interest thereon (computed on the basis of a 360-day year of twelve 30-day months) from the date of this bond, or the most recent date to which interest has been paid or duly provided for, until payment of this bond, at the Interest Rate specified, payable on _____, and semiannually thereafter on each succeeding _____ and _____.

Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as this bond is registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), principal of and premium, if any, and interest on this bond are payable in the manner set forth in the Blanket Issuer Letter of Representations by and between the County and DTC. When this bond is not registered in the name of the Securities Depository, interest on this bond is payable by electronic transfer on the interest payment date, or by check or draft of the fiscal agent of the State of Washington (as the same may be designated by the State of Washington from time to time, the "Bond Registrar") mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. However, the County is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. When this bond is not registered in the name of the Securities

Depository, principal of and premium, if any, on this bond are payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar.

This bond is one of an authorized issue of bonds of like series, date and tenor, except as to number, amount, rate of interest, options of redemption and date of maturity, in the aggregate principal amount of \$_____ (the "Bonds"), and is issued to provide funds necessary to pay costs of acquiring, constructing and equipping improvements, additions or betterments to the County's sewer system (the "System").

The Bonds are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State, the County Charter and applicable ordinances duly adopted by the County, including Ordinance _____ and Motion _____ of the County Council (together, the "Bond Legislation"). Capitalized terms used in this bond and not defined herein have the meanings given such terms in the Bond Legislation.

The Bonds are subject to redemption as provided in the Bond Legislation.

The Bonds are special limited obligations of the County, payable solely from the special fund of the County known as the Water Quality Revenue Bond Account (the "Parity Bond Fund"), and are not obligations of the State or any political subdivision thereof other than the County, and neither the full faith and credit nor the taxing power of the County or the State or any political subdivision thereof is pledged to the payment of this bond or the Bonds.

The County hereby covenants and agrees with the Registered Owner of this bond that it will keep and perform all the covenants of this bond and of the Bond Legislation to be by it kept and performed. The County has obligated and bound itself to set aside and pay into the Parity Bond Fund out of Revenue of the System the various amounts required by the Bond Legislation to be paid into and maintained in the Parity Bond Fund, all within the times provided by the Bond Legislation.

The amounts so pledged to be paid out of Revenue of the System are hereby declared to be a prior lien and charge thereon superior to all other liens and charges of any kind or nature except Operating and Maintenance Expenses. The amounts so pledged out of Revenue of the System are further declared to be of equal lien to charges that have been or may be made thereon to pay the principal of and interest on outstanding Parity Bonds and any Future Parity Bonds.

The County has pledged that it will cause the System to be maintained in good condition and repair and to be operated in an efficient manner and at a reasonable cost. The County has further pledged that it will at all times establish, maintain and collect adequate rates and charges for sewage disposal service as provided in the Bond Legislation. Reference to the Bond Legislation is made for a description of the nature and extent of the security for the Bonds, the funds or revenues pledged, and the terms and conditions upon which the Bonds are issued.

The pledge of revenues and other obligations of the County under the Bond Legislation may be discharged prior to maturity of the Bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Legislation.

This bond will not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Legislation until the Certificate of Authentication hereon has been manually signed by the Bond Registrar.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State and the Charter and ordinances of the County to exist and to have happened, been done and

performed precedent to and in the issuance of this bond do exist and have happened, been done and performed and that the issuance of this bond and the Bonds does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the County may incur.

IN WITNESS WHEREOF, the County has caused this bond to be executed by the manual or facsimile signature of the County Executive, to be attested by the manual or facsimile signature of the Clerk of the County Council, and the seal of the County to be impressed or imprinted hereon, all as of _____.

KING COUNTY, WASHINGTON

By _____
King County Executive

ATTEST:

Clerk of the County Council

Date of Authentication: _____.

CERTIFICATE OF AUTHENTICATION

This is one of the fully registered Sewer [Improvement and] Refunding Revenue Bonds, [Year], Series _____, of King County, Washington, dated _____, described in the within mentioned Bond Legislation.

WASHINGTON STATE FISCAL AGENT
as Bond Registrar

By _____
Authorized Signer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto
PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF
TRANSFeree

(Please print or typewrite name and address, including zip code of Transferee)

the within bond and does hereby irrevocably constitute and appoint _____
or its successor, as Bond Registrar to transfer this bond on the books kept for registration thereof with full
power of substitution in the premises.

DATED: _____, 20____.

NOTE: The signature on this Assignment must
correspond with the name of the registered owner as it
appears upon the face of the within bond in every
particular, without alteration or enlargement or any
change whatever.

SIGNATURE GUARANTEED:

NOTICE: Signatures must be guaranteed
pursuant to law.

**ATTACHMENT D
FORM OF PARITY LIEN OBLIGATION**

No. R-_____

\$_____

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the County or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), **ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL** inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA

STATE OF WASHINGTON

KING COUNTY

**LIMITED TAX GENERAL OBLIGATION
[IMPROVEMENT AND] REFUNDING BOND
(PAYABLE FROM SEWER REVENUES), [YEAR], SERIES _____**

Interest Rate:
_____ %

Maturity Date:

CUSIP No.:

Registered Owner: **CEDE & CO.**

Principal Amount: _____ **AND NO/100 DOLLARS**

KING COUNTY, WASHINGTON (the "County"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, the Principal Amount specified above and to pay interest thereon (computed on the basis of a 360-day year of twelve 30-day months) from the date of this bond, or the most recent date to which interest has been paid or duly provided for, until payment of this bond, at the Interest Rate specified, payable on _____, and semiannually thereafter on each succeeding _____ and _____.

Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as this bond is registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), principal of and premium, if any, and interest on this bond are payable in the manner set forth in the Blanket Issuer Letter of Representations by and between the County and DTC. When this bond is not registered in the name of the Securities Depository, interest on this bond is payable by electronic transfer on the interest payment date, or by check or draft of the fiscal agent of the State of Washington (as the same may be designated by the State of Washington from time to time, the "Bond Registrar") mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. However, the County is not required to make electronic transfers except

pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. When this bond is not registered in the name of the Securities Depository, principal of and premium, if any, on this bond are payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar.

This bond is one of an authorized issue of bonds of like series, date and tenor, except as to number, amount, rate of interest, options of redemption and date of maturity, in the aggregate principal amount of \$_____ (the "Bonds"), and is issued to provide funds necessary to pay costs of acquiring, constructing and equipping improvements, additions or betterments to the County's sewer system (the "System").

The Bonds are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State, the County Charter and applicable ordinances duly adopted by the County, including Ordinance _____ and Motion _____ of the County Council (together, the "Bond Legislation"). Capitalized terms used in this bond and not defined herein have the meanings given such terms in the Bond Legislation.

The Bonds are subject to redemption as provided in the Bond Legislation.

The Bonds are general obligations of the County. The County has irrevocably covenanted and agreed for as long as any of the Bonds are outstanding and unpaid, that each year it will include in its budget and levy an *ad valorem* tax upon all property within the County subject to taxation in an amount that will be sufficient, together with all other revenues and money of the County legally available for such purposes, to pay the principal of and interest on the Bonds as the same become due. The County has pledged that the annual tax authorized to be levied for the payment of such principal and interest shall be within and a part of the tax levy permitted to counties without a vote of the people. The full faith, credit and resources of the County have been irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Bonds as the same become due.

The County has further obligated and bound itself to set aside and pay into the Parity Lien Obligation Bond Fund out of Revenue of the System amounts sufficient to pay when due the principal of and interest on the Bonds. The pledge of Revenue of the System constitutes a lien and charge on Revenue of the System subject to Operating and Maintenance Expenses and junior, subordinate and inferior to the lien and charge on Revenue of the System securing the Parity Bonds, equal to the lien and charge securing the outstanding Parity Lien Obligations and any additional Parity Lien Obligations hereafter issued, and superior to any other charges whatsoever. The County has reserved the right to issue additional Parity Lien Obligations on the terms and conditions set forth in the Bond Legislation.

The County has pledged that it will cause the System to be maintained in good condition and repair and to be operated in an efficient manner and at a reasonable cost. The County has further pledged that it will at all times establish, maintain and collect adequate rates and charges for sewage disposal service as provided in the Bond Legislation. Reference to the Bond Legislation is made for a description of the nature and extent of the security for the Bonds, the funds or revenues pledged, and the terms and conditions upon which the Bonds are issued.

The pledge of tax levies and revenues and other obligations of the County under the Bond Legislation may be discharged prior to maturity of the Bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Legislation.

The County has pledged that it will cause the System to be maintained in good condition and repair and to be operated in an efficient manner and at a reasonable cost. The County has further pledged that it will at all times establish, maintain and collect adequate rates and charges for sewage disposal service as

provided in the Bond Legislation. Reference to the Bond Legislation is made for a description of the nature and extent of the security for the Bonds, the funds or revenues pledged, and the terms and conditions upon which the Bonds are issued.

This bond will not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Legislation until the Certificate of Authentication hereon has been manually signed by the Bond Registrar.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State and the Charter and ordinances of the County to exist and to have happened, been done and performed precedent to and in the issuance of this bond do exist and have happened, been done and performed and that the issuance of this bond and the Bonds does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the County may incur.

IN WITNESS WHEREOF, the County has caused this bond to be executed by the manual or facsimile signature of the County Executive, to be attested by the manual or facsimile signature of the Clerk of the County Council, and the seal of the County to be impressed or imprinted hereon, all as of _____.

KING COUNTY, WASHINGTON

By _____
King County Executive

ATTEST:

Clerk of the County Council

Date of Authentication: _____.

CERTIFICATE OF AUTHENTICATION

This is one of the fully registered Limited Tax General Obligation [Improvement and] Refunding Bonds (Payable from Sewer Revenues), [Year], Series _____, of King County, Washington, dated _____, described in the within mentioned Bond Legislation.

WASHINGTON STATE FISCAL AGENT
as Bond Registrar

By _____
Authorized Signer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto
PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF
TRANSFeree

(Please print or typewrite name and address, including zip code of Transferee)

the within bond and does hereby irrevocably constitute and appoint _____
or its successor, as Bond Registrar to transfer this bond on the books kept for registration thereof with full
power of substitution in the premises.

DATED: _____, 20____.

NOTE: The signature on this Assignment must
correspond with the name of the registered owner as it
appears upon the face of the within bond in every
particular, without alteration or enlargement or any
change whatever.

SIGNATURE GUARANTEED:

NOTICE: Signatures must be guaranteed
pursuant to law.

ATTACHMENT E

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